The MAGAZINE of WALL STREET

and BUSINESS ANALYST

JUNE 14, 1952 75 CENTS

★ MARKET OUTLOOK FOR THE THIRD QUARTER ★

Our Once-A-Year

SPECIAL STUDY OF THE UTILITY COMPANIES

— WITH A BREAKDOWN OF THE FINANCIAL STATEMENTS OF INDIVIDUAL COMPANIES

By OWEN ELY

SIGNIFICANCE OF CONTINUING DECLINE IN PRICE OF GOLD

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STOCKS WHERE MARGIN BETWEEN EARNINGS AND DIVIDENDS IS NARROWING

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NEW AIR TRANSPORT AGE STREAKS IN ON BRITISH JET

By J. T. RUSSELL

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This is National Steel

Stepping up its steel-making power with two giant new blast furnaces

The steel-making cycle starts with the smelting of metallic iron from ore in blast furnaces. Within the next few months, two new blast furnaces will be placed into production. They will increase to twelve the number of National Steel's giant furnaces, and add close to 1,000,000 tons to its annual pig iron capacity.

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This is National Steel . . . entirely independent, completely integrated . . . one of America's leading producers of steel.

NATIONAL STEEL CORPORATION
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NATIONAL STEEL

SERVING AMERICA BY SERVING AMERICAN INDUSTRY

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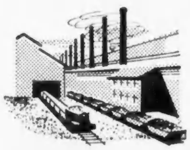

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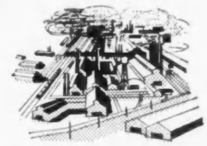
Detroit, Mich. A major supplier of standard and special carbon steel products for a wide application in industry.



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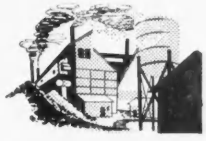

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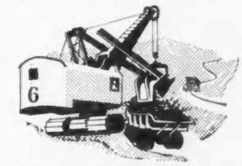

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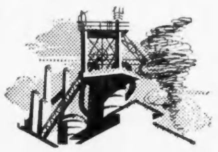
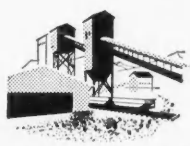


THE HANNA FURNACE CORP.
Blast furnace division located in Buffalo, New York.



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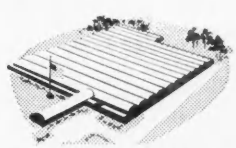
Supplier of high grade metallurgical coal for National Steel's tremendous needs.

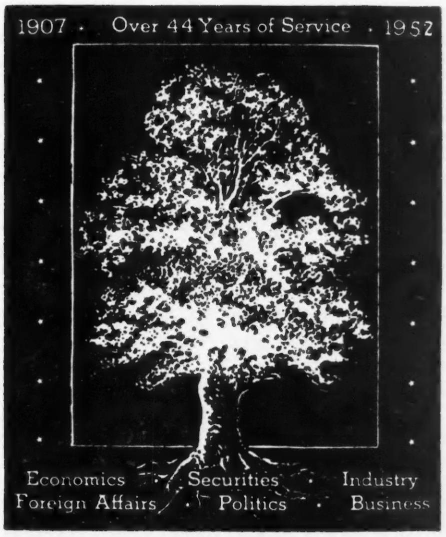


NATIONAL STEEL PRODUCTS CO.
Houston, Texas. Warehouse and distribution facilities for steel products in the Southwest.

NATIONAL STEEL

THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

THE SUPREME COURT DECISION . . . The far-reaching decision of the Supreme Court, which placed a final stamp of illegality on President Truman's seizure of the steel mills, is a momentous act in the constitutional and economic history of the United States. By this verdict, the power to make laws reverts back to Congress where it was placed by the Foundling Fathers and is taken from the Executive which has been encroaching on this vital prerogative for two decades.

Though the President proclaimed that the reason for the seizure of the industry was the existence of an emergency—arbitrarily defined by him—practically the entire nation disapproved. The 6-3 decision by the Supreme Court simply affirmed the public's sound position and, hence, should not have surprised anyone.

There are some who believe that the problem of the steel impasse and the threat of a shut-down could have been solved if Congress had passed enabling legislation. We confess that we do not see the logic of this contention. If the President was wrong to seize the mills without constitutional warrant, legislation for this purpose by Congress might have been correct constitutionally but would have nevertheless also been wrong as it would have violated the spirit of the Constitution. After all, what is really abnoxious in the whole business is the seizure of property itself—except during war—whether with or without legislative authority. One of the cornerstones of our democracy is the right to possess property. Any tampering with this right is dangerous, no matter how it is accomplished. Fortunately, the Supreme Court's decision renders such tampering much more difficult than it has been in recent years.

With the decision, the way was paved for the resumption of collective bargaining. At this writing, both sides are busily engaged in formulating a plan that will meet the demands of the unions and the needs of the industry itself. Though it would appear from present indications that both wages and prices will be raised, at least the final terms will have been drawn by mutual agreement and not by fiat. This in itself is a great gain and in the very best American tradition.

As to the economic consequences of higher wages and prices for steel, we feel, as we have stated often, that the net result to the people is a loss, and, not least of all, to labor itself which will have itself to thank for the higher prices it may have to pay for its daily living. Sooner or later, the entire American people, joined in a common purpose, must come to see that what matters most is the national welfare and that this can only be promoted through mutual respect for one another's needs. If the unions persist in ignoring this fundamental responsibility, they will be among the first to pay the penalty for their lack of wisdom. We hope that the unions, for their own sake, will recognize that the path they have This would be the best plan for them to follow at the present time.

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable supplement to Mr. A. T. Miller's stock market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

A SALUTE TO THE MARSHALL PLAN AFTER FIVE YEARS . . . The fifth anniversary of General George Marshall's historic Harvard commencement address was observed last week. His humanitarian call for help to avert the economic and political collapse facing the Western World has for the most part since been answered. In what the former Secretary of State himself declares as a "near miracle," the Marshall Plan has virtually accomplished its three original goals. First, industrial and agricultural expansion of the ECA countries have increased approximately 55% and 33% respectively since 1947 when the program was conceived. Second, a considerably sounder financial structure has been created within the eighteen participants. And last, substantial progress has been registered in stimulating foreign trade through reduction of trade barriers and other necessary measures.

When we come to analyze the vital contribution of the Marshall Plan to our own economy, we must admit that the foresight of our legislators and business men five years ago was indeed extraordinary. Had ERP not existed, the average American taxpayer would have suffered severely from the impact of Europe's deteriorated state. Because the Western powers historically have been our best customers, their afflictions eventually would have been ours. The Marshall Plan bolstered our own exports and acted as a prop to domestic output during the postwar adjustment years. At intervals it sometimes developed into a handy tool when our economic welfare at home was threatened with a recession.

As a result of the European Payments Union—the efficient offshoot of ECA—a more even distribution of goods in Western Europe has relieved some of the burden on the American economy since the outbreak of the Korean war. We have been able to divert supplies of certain critical items into our own war machine and are now receiving from the member countries strategic ores and raw materials essential to our common defense efforts. Certainly this has not been shallowness on our part—as sometimes accused both abroad and here.

Proof that the Western European nations should cooperate as one unit inspired the integration we know now as NATO. This momentous by-product of the Marshall Plan will long be remembered by historians as its greatest achievement. The pioneering in unification, of which the Marshall Plan was the forerunner, is the backbone of the defensive strength mutually desired against the Eastern aggressors. Under the Marshall Plan, this unity helped to resist communism in such borderline nations as France and Italy, and may now be our last stand against aggression from without.

FAIR TRADE IN LIMELIGHT . . . Ever since the fair trade laws unexpectedly were deprived of their teeth in the Supreme Court ruling of May 21, 1951, various groups of businessmen have been hard at work in an attempt to regain their lost power. The fruits of their efforts became evident early last month when on a one-sided vote the House passed a bill which would legalize the provision knocked out by the Supreme Court. Under the new law, as soon as a manufacturer signed an agreement with a seller, all other sellers in the state would be bound to observe the same minimum retail price.

Thus the pros and cons of fair trade once more have been pushed into the limelight. The Senate Commerce Committee has opened hearings with the intention of acting promptly so that the bill can come to a vote before adjournment. Large retailers and some manufacturers side with the Justice Department and Federal Trade Commission contention that the price-fixing laws of the 45 states are contrary to the basic American principles of free enterprise.

In a semi-wartime economy, all economic factors must be considered. The country is experiencing business conditions unlike any ever encountered in our history. We are caught in midstream between deflationary and inflationary pressures.

If Congress is sincere in its desire to keep down prices, then validating the fair trade statute would be contrary to this policy. On the other hand, restoration of the crucial provision would bolster small business. In the jewelry industry, for instance, hundreds of retailers are reported to be on the verge of bankruptcy because they have been shorn of protection against cut-rate sales by chain stores, general merchandisers and other entrepreneurs who recently entered the field. Minus fair trade, small merchants can be more easily frozen out of business. Should these valuable retail outlets be lost, the end result could be curtailed production.

There is little doubt that if the Senate backs its co-legislator, as now anticipated, only a short-lived buying spree will occur. The violent wave of price-cutting touched off by the now famous Schwegmann decision approximately a year ago will not be duplicated. Reluctance to repeat last year's price slaughter is echoed in all sectors of the economy. Business learned from the no-holds-barred price battles that only the consumer wins in such warfare.

Under the belief that this economy will be threatened with a moderate recession in 1953, we feel that the American taxpayer will need a strong incentive to buy. Unjustifiably high prices at a time like this will lead to larger savings accounts.

LAW OF DIMINISHING RETURNS . . . The futility of the government's attempt to extract arbitrarily high excess taxes is eloquently illustrated by the drop in Treasury receipts from the liquor industry. It is estimated that the loss in tax revenues from this source will be in the neighborhood of $150 million.

Apparently, the last hike in excise liquor taxes stopped public buying. The latter, as was to be expected, simply withdrew when drinks became too expensive. Naturally, profits for the liquor interests practically ceased, and little in the way of taxes remained to be collected.

It would seem that those responsible for government tax policies would not need such an elementary lesson in economics. Every schoolboy has learned about the inexorable operation of the law of diminishing returns. Maybe those who assist in contriving our tax laws ought to go back to school and learn the lesson all over again.

Obviously, the liquor industry, under present conditions, is no longer a happy hunting ground for the tax collectors, thus proving again that the problem of taxes must be approached scientifically and not on the hit-and-miss basis that has been so prevalent.

As I See It!

By CHARLES BENEDICT

TODAY IT'S THE MAN—NOT THE PARTY

At no time in our history has there been greater need for top calibre leadership—the kind we dream about and never get because of party politics. But there can be no such compromise today; the situation is too serious, for the consequences of this folly would shatter the future of our country—becloud and mortgage the lives of those who come after us.

We not only need the best man for President that we can possibly get—but a cabinet that measures up to the same high standards of experience and leadership.

It seems generally agreed that the two candidates of the Republican Party, Senator Taft and General Eisenhower, both possess qualifications of the first order needed for the Presidency. But that is not enough under today's conditions, which in addition, urgently call for special talents in reconciling faction with faction, together with a quality of leadership that binds men's hearts with sympathetic confidence—and even affection.

No one will deny that of the two, General Eisenhower has a positive genius for reconciling irreconcilables—and his record for producing a working relationship abroad between those who for generations failed to collaborate because of pride, distrust or jealousy, is rather unique. On the other hand the best friends of Senator Taft will admit that even when he is in the right, he lacks the characteristics necessary to produce collaboration of this calibre—and yet this ability to produce cooperation is a fundamental ingredient for the Presidency today. It is the only way to get things done.

In suggesting the name of General Eisenhower for the Presidency therefore, I do so because I believe that he will be able to produce a working majority in the Senate and the House that will keep the country rolling. There is no question but that General Eisenhower as President, will have a good measure of support from Republicans, Democrats and Independents. Nor is there any doubt either, that he will finally succeed in cementing and knitting into a cohesive force the elements abroad, that have for so many centuries fought each other politically, economically—and even on the battlefield. More than that, I firmly believe that General Eisenhower's talent for conciliation is most likely to bring about better relations between the Russians and the Western World—a situation much to be desired.

We have a great asset too in General Eisenhower's military experience, in the light of the life and death struggle in which we are engaged with Communism. He knows only too well that war is merely an expedient and solves nothing—that only a realistic plan of approach and the will to strengthen our position and that of our allies will help us to avoid World War III.

But I would not want to lose the great talents of Senator Taft in this administration. As a patriot, deeply interested in the well-being of our beloved country, he would, I believe, be willing and eager to serve in the capacity for which he is eminently equipped—that of Secretary of the Treasury. The American people would feel a great sense of security with Taft in that office, and his services in this crisis would be so valuable that history would compare him with Alexander Hamilton in evaluating his accomplishments. Further he would be occupying a post in which he could exercise his best talents in such a way as to bring the deepest appreciation from the people of the country for his forthright character—and code of honor.

For the office of the Secretary of Defense—I would like to suggest another great American—one of the greatest—General Douglas MacArthur. Although the Presidency would be too taxing for him, his experience in the Pacific, where he won victory after victory by sound strategy, and with a minimum of arms, would give him the background necessary for remolding our expenditures for defense which now take up some 60% of our budget, not including the 13% allotted for foreign aid. His marvelous administrative capacity as demonstrated in Japan, could serve us well in these momentous days.

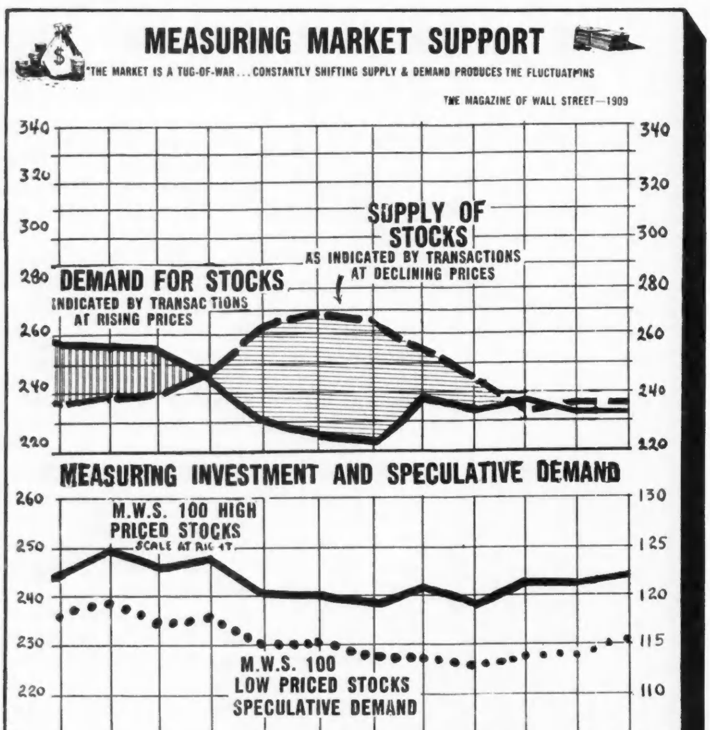
As far as the Vice-Presidency is concerned, I would suggest first, that we call upon Congress to change the laws and make the Vice-President an Executive-Assistant to the President of the United States. The broad scope and ramifications of the job are too much for any one man. In this way too, we would be able to (*Please turn to page* 344)

Market Outlook for the Third Quarter

With marked selectivity, average stock prices moved higher over the last fortnight, taking rails to a new peak. The industrial average remains in its old range. As on all previous upswings since early-1951, a quite possible further rise could readily bring longer-range doubts back into focus. A reasonably conservative middle-road policy remains prudent.

By A. T. MILLER

On the whole, the stock market has been reflecting a moderately more hopeful investment-speculative mood for more than five weeks, or since the last reaction lows in the general averages were recorded at the start of May; and it became more so in the latter portion of last week, following some days of hesitation. Another sharp spurt, although quickly cooled off, sufficed to put the rail average to a new major high. The Dow industrial average extended its May-June recovery swing sufficiently to suggest a probable early test of its last previous intermediate high, recorded in March at 269.46. Above that not too significant hurdle are the much more important and formidable supply levels represented by the approximate double-tops of 276.37 made in September, 1951, and of 275.40 reached in January. The slow-moving utility average has crept back to the immediate vincinity of its post-1946 high, established in March.



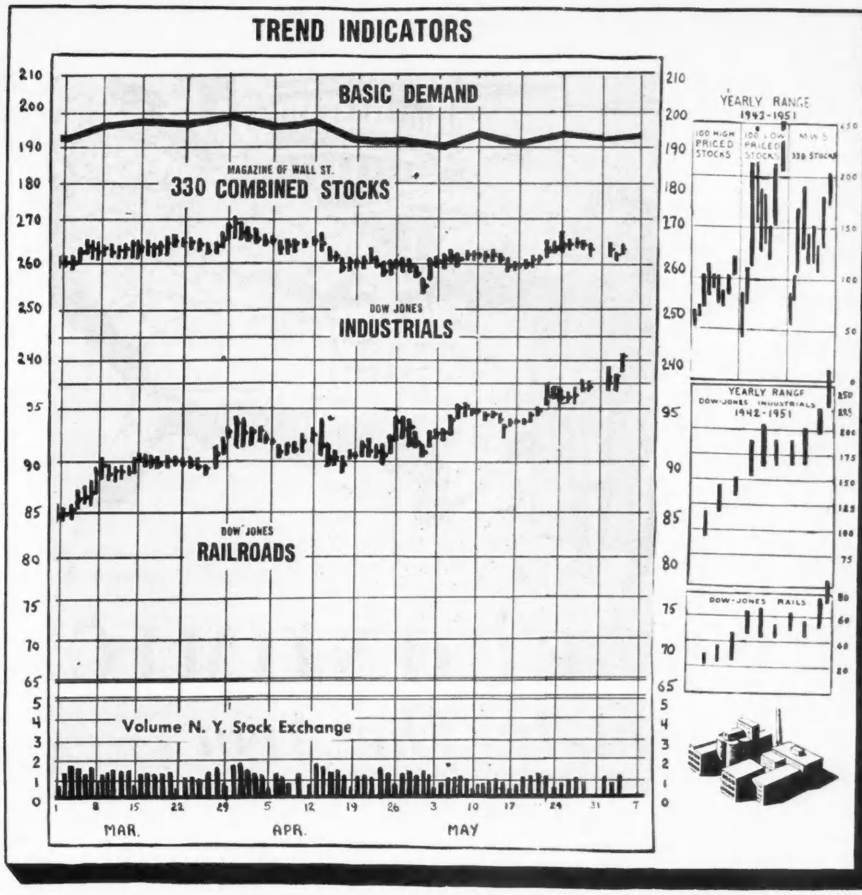
Gains scored in three trading sessions sufficed to put all three averages on the plus side for the fortnight since our last previous analysis was written; and they were widest, in both points and percentage, in rails, with strength more general than in some time, even though still selective. The market's immediate response both to the Supreme Court decision voiding the President's seizure of the steel industry, and to the resultant renewed steel strik, was apathetic because a favorable decision had been considered probable, because it had been certain that the strike would follow it, and because it was taken for granted that the resumption of bargaining, on terms more favorable to the industry, would lead to an early settlement.

Reasons For Market Improvement

If these news developments had any bearing on the market improvement which developed later in the week, it was perhaps more negative than positive. That is, they clarified, and relieved the market of, these particular uncertainties. It could argued that higher steel prices and wages will have spreading inflationary consequences throughout industry. That is no doubt partially true. But the civilian hard-goods industries—in all of which inventories range from ample to excessive, with consumer demand lukewarm—are in no position to pass along higher steel costs. For these, therefore, partial or full absorption of the costs will be deflationary on margins and profits. For the same reasons, many, if not most, industries will resist this latest round of wage demands more vigorously than at any time since before World War II.

In the current patterns of market selectivity you do not see any evidence of a significant revival of "inflation psy-

chology." For instance, the immediate performances of such inflation-hedge issues as oils, coppers and most other commodity markets currently indicate no more than hesitation – perhaps symptomatic of general stabilizing tendencies – a little above recent lows for the whole period since the autumn of 1950.



Looking ahead to a seemingly inevitable period of cyclical shrinkage in business activity when we pass over the hump in the armament-capital-goods activity, investors can well have misgivings. But this is "around the corner," rather than at all imminent. Meanwhile, dividends continue to average around 6% and are mostly well protected at least through 1952. Meanwhile, despite continuing spotty conditions in civilian business, there is a valid basis for hope of at least moderate medium-term improvement in over-all economic activity, based on rising arms outlays, an indicated full-year gain in dollar volume of total new construction, the high level of plant-equipment investment (although it is probably subject to shrinkage before the year is out), a moderate turn for the better indicated in some of the previously slack soft-good lines, and at least a modest loosening up in total consumer spending.

Many individual, and all institutional, investors face the problem of what to do with the portion—very sizable in the aggregate—of accumulating funds earmarked for selected common stocks. No doubt they have been favorably impressed by the degree of support demonstrated by the market on all reaction tests in 1952 to date. Because of that, because of the medium-term economic factors heretofore cited, because of some potentiality for seasonal rise in the market within the summer period, and perhaps also because of hopes for a coming conservative shift in the White House, increasing numbers of investors and traders evidently have abandoned their wait for lower stock prices.

Reluctance To Sell

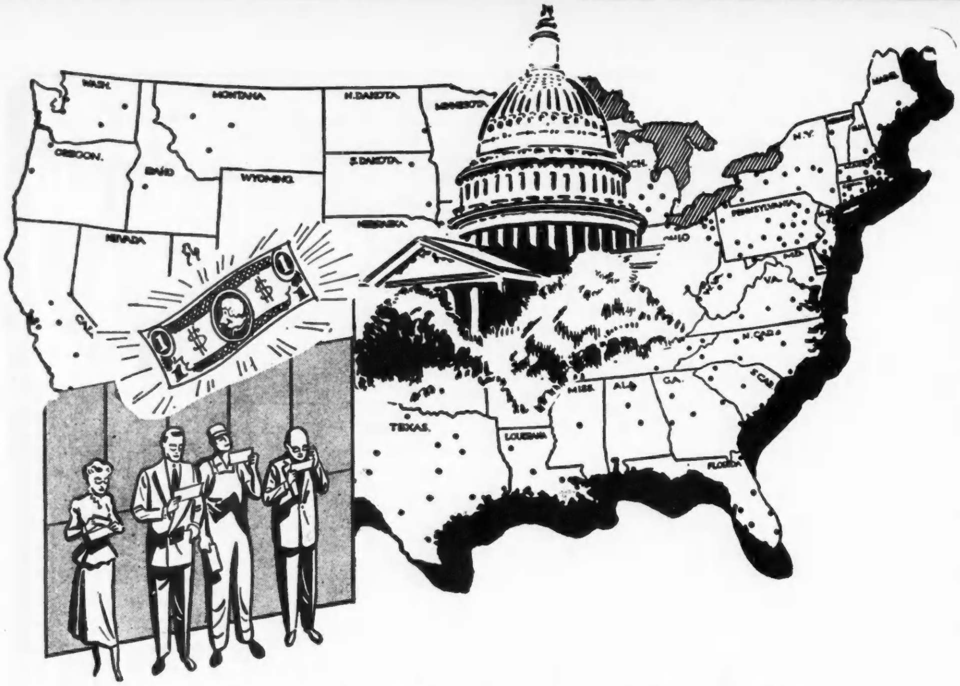
Stockholders can be shocked into liquidation by exceptionally poor earnings reports or dividend cuts—as witness the recent further sharp spill in the motion picture stocks, which proved to be nowhere near as much "sold out" as many had supposed after many months of generally inferior behavior. But where company prospects for any appreciable time to come appear average or better, there is a continuing reluctance to sell at prevailing levels. That implies a fair chance for some extension of recent selective upward tendencies, for they require no great flow of idle cash into market employment under the present internal supply-demand balance. On the other hand, higher prices on every upswing since early 1951 have promptly brought the restraining factors back into focus; and, whether or not the industrial average gets a degree above its previous highs, it is very doubtful that we are in process of moving away from a limited-swing market into a sustained advance.

Stirrings in Depressed Groups

Emphasizing the cross-currents, it may be noted that even in the strongest recent sessions roughly two-thirds as many individual stocks recorded new lows for the year as new highs, with the greatest number of the latter in rails and utilities, but with the former widely scattered. Although in no sense general, more willingness to speculate is evident here and there. It is seen, for instance, in current stirrings in such long static or depressed groups as aircraft, rail equipments, steels, textiles and liquors—the latter despite an uncommonly formidable inventory problem. It is seen most emphatically, of course, in the vogue for rails.

We recommend a continuing selective policy, with maintenance of reasonably prudent cash reserves.

—Monday, June 9



NEW ECONOMIC
Shot-In-The-Arm

By WARD GATES

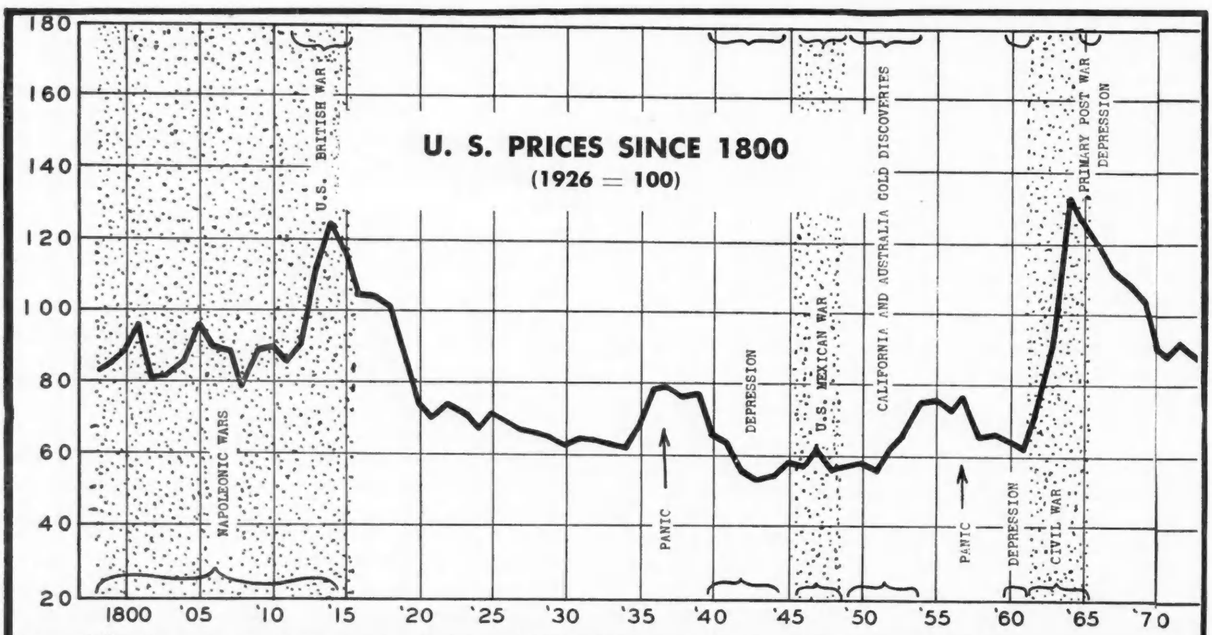
To outline the steps toward a revival of inflation may seem premature while President Truman's lieutenants are constantly appearing before Congressional committees to plead that their weapons against inflation be not blunted. Nevertheless, action has begun to prevent the shadow of economic recession from darkening November's electoral prospects. The time table is clearly readable today.

However, the obstacles in the way of success for this maneuver are just as visible. The situation surrounding the inflationary actions is more like that of the mid-thirties, when a similar program failed, than of the immediate postwar era, when it succeeded only too well. Inflation will be tried in the next half-year, but it is more likely to fail than to succeed.

The Truman Administration is preparing to give the national economy the most potent shot-in-the-arm it can concoct from a combination of relaxed controls, boosted wages, and deficit spending—at whatever cost to the nation's future economic health once the fall elections are out of the way.

First, let us examine the probable sequence of inflationary, or at least anti-deflationary actions:

1. Suspension of credit controls. This has had to be approached in a cautious manner, because the



relaxation must be accommodated to a continuing campaign for extension of control powers. Suspension began with President Truman's scrapping of the Voluntary Credit Restraint program, under which investment bankers had refused to bid on issues which had no purpose other than pumping unearned money into the currency supply: e.g., state bond issues to pay soldiers' bonuses. Next came the Federal Reserve Board's exemption from down-payment and installment-duration restrictions of all items costing less than $100. Shortly thereafter the FRB went the whole route and dropped its Regulation W regarding all goods sold on the installment plan.

Regulation X Will Follow W Soon

Still to come is a cutback of Regulation X, which forces the buyer of a $25,000 house to pay $12,500 down, of a $15,000 house $5,000 down. This will probably be reduced to one-third on the most costly houses, and proportionately on cheaper structures. A more subtle relaxation of credit controls has come in the recent return of lending powers up to $100,000 to district managers of Reconstruction Finance Corp. Some months ago, when public revulsion against RFC scandals was strongest, lending power was concentrated in Washington. This is not to imply that RFC standards will now be lowered—any loan the RFC makes must by statute accept a non-credit-worthy risk. It is simply that the public funds are made more accessible to borrowers when they need not pursue their applications all the way to Washington.

2. Decontrol of materials. Right up almost to the day when these curbs have been abandoned, vigorous defenses of their absolute necessity have been made by the controllers. Hence the reversals look more abrupt than they really are; the process of producing to make controls unnecessary has been a gradual one.

Seeking to maintain an appearance of logical progression, restrictions were first lifted from schools, hospitals and similar community facilities. Then it was discovered that there was enough steel to go around for highways. Next, in one grand gesture, all the industrial and commercial permits applied for in the third quarter of this year were granted at once. Finally restrictions on amusement and entertainment projects went the way of the rest.

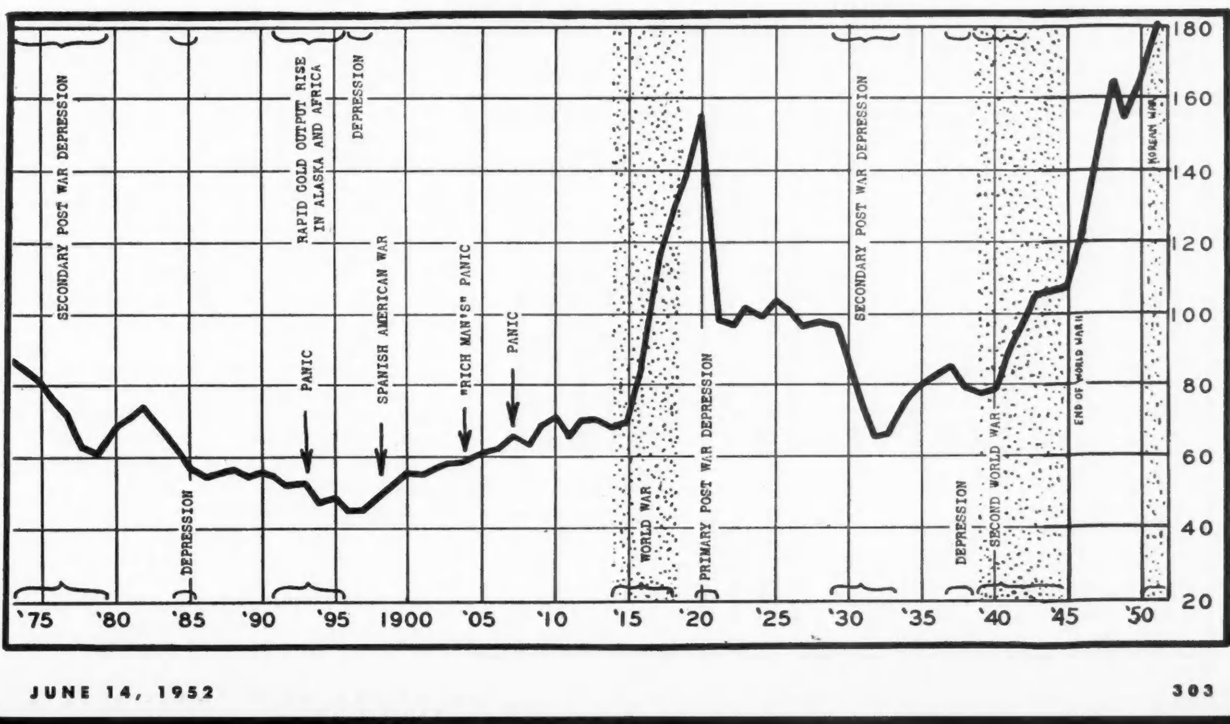
Promises continue to be made that the Controlled Materials Plan will free all steel by the first quarter of 1953. Hopes for freeing aluminum and copper are not so definite. One method of freeing an important industrial material has been the government's slash of some 13 cents a pound in natural rubber, of which it is the sole importer and vendor.

3. End of price controls. Formally, this will not be done until some time next year. Actually, Michael DiSalle, first price administrator under the current Defense Production Act, fixed prices at the height of a wave of price rises, and most prices are below his ceilings. Where they aren't, they are being adjusted.

Industry knew all along that it was the height of absurdity to pretend to be protecting the consumer from a 3-cent rise in the price of copper—$2.25 per automobile—if the shortage of copper would keep him from buying an automobile at all. Price controllers have grudgingly come to the same conclusion. Permission to pay an uncontrolled price for Chilean copper, and pass through the added cost to buyers, will be followed on other scarce articles. Opposition to such price rises as the recent one in canned foods, or the Capehart Amendment increases for the glass container industry and some branches of the paper industry, will increasingly become merely formal.

Decision to Speed Arms is Political

4. Speedup of arms deliveries. The most recent quarterly report of the Office of Defense Mobilization, issued near the end of April, stressed the fact that tooling up of the vast defense program was about completed, and that deliveries in massive quantity would soon begin. This may very well be true



with no political aspect at all. The dilemma of the general staff is always to keep from spending its money in peacetime on a vast museum of obsolete and obsolescent arms of no value when war begins, and yet not to face an enemy who is supplied with last year's arms in being while the home forces have only next year's arms on order. Considering the way in which politics has dominated the whole program to date, a mild skepticism may be felt toward the Administration's sudden discovery that this is the exact date when designs can profitably be frozen and all-out production begun. Whatever the reasoning behind it, arms production as distinct from arms designing and arms tooling-up will provide jobs and paychecks in areas which have seen a letdown in both during the last year.

$10 Billion Federal Borrowing Threatened

5. A return to easy money. Secretary of the Treasury John Snyder recently announced that the Treasury meant to borrow up to $10 billion of new money between June 30 and the end of the year. In part, this estimate rests upon Mr. Truman's estimates of government needs and revenues, and in four years serious analysts have learned to put little faith in those estimates. Still, there will certainly be a net outflow of cash from the Treasury. In the first quarter of 1952 the government spent $16.9 billion. Some $22 billion was extracted from taxpayers.

The current quarter will see $19.7 billion spent, and perhaps $19 billion collected. The third quarter will level off at $19 billion spent, $16 billion collected, and the deficit will really soar in the final—election—quarter when spending of $20.5 billion is accompanied by no more than $15 billion in tax collections.

The Federal Reserve Board, so far, has stood staunchly by its refusal to peg government bond prices. It will be under tremendous pressure to help accommodate this massive borrowing. For one thing, if bonds sag as they must under a campaign that stands or falls on its investment merits, banks will have a hard time maintaining their reserve ratios without upsetting busines. The Federal Reserve has been blamed for previous recessions; it can't afford another black eye of that kind. Moreover, if the government is pressed, it can always borrow on short-term low-interest notes. This will make the debt structure dangerously unwieldy, but such long-term considerations have not hitherto been given much weight. One way or another, Mr. Snyder will get his $10 billion, or most of it, and pass it around where it will make business look good.

The question has doubtless arisen in the reader's mind by now: If so much of the Administration's attention is centered on reversing an incipient deflation, why does it cling so earnestly to its control powers, and why does it continue to proclaim its enmity for inflation? The opinion here is that this is a matter of strategy.

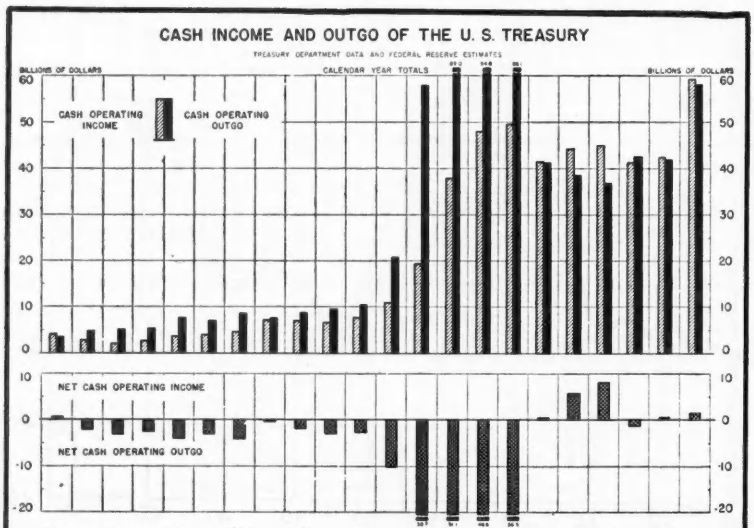
In addition to the purely governmental maneuvers considered under the numbered headings, it was government encouragement which put the United Steelworkers where they are asured of a substantial pay raise some time soon. Government intervention helped the oil workers to their 15 cents an hour, and government mediation got railroad workers the $600-to-1000 back pay checks for which they had feared they would have to give up pretending that a passenger train only covers 125 miles in eight hours. Every other union can expect the same kind of help when its time comes to ask.

Soldiers have been granted a raise in pay. Veterans' pensions have increased. A bill increasing Social Security payments $5 a month or 12½%, whichever is higher, was snarled in the House, but will be revived and passed.

Natural Cost Rises to Be Headed Off

In a free economy, all these things would soon be reflected in higher costs of living. Under controls, the compensating price rises can be kept at a respectful distance behind the income increases. Except where holding the price line would reduce the supply of goods for sale—the contingency discussed under point 3—controls will be used.

A larger question—*the* question from the investor's point of view—is: Will all this work? There are reasons for believing the answer is "No". Unfortunately, spelling out those reasons requires a dive into the depths of economic theory, a murky pool from which the practical analyst seldom comes up with much of value.



John Maynard Keynes, who "devoted vast gifts to the destruction of his country", in the phrase Winston Churchill applied to Stafford Cripps, taught the present generation of government meddlers with economic affairs to believe in this chain of reasoning:

> Consumer spending depends upon aggregate income. Investment spending depends upon the state of business sentiment. National income and employment fall and rise with investment, hence with business confidence. To protect aggregate income against changes in business sentiment, volume of investment must be taken from private hands and lodged in the government's.

(*Please turn to page* 349)

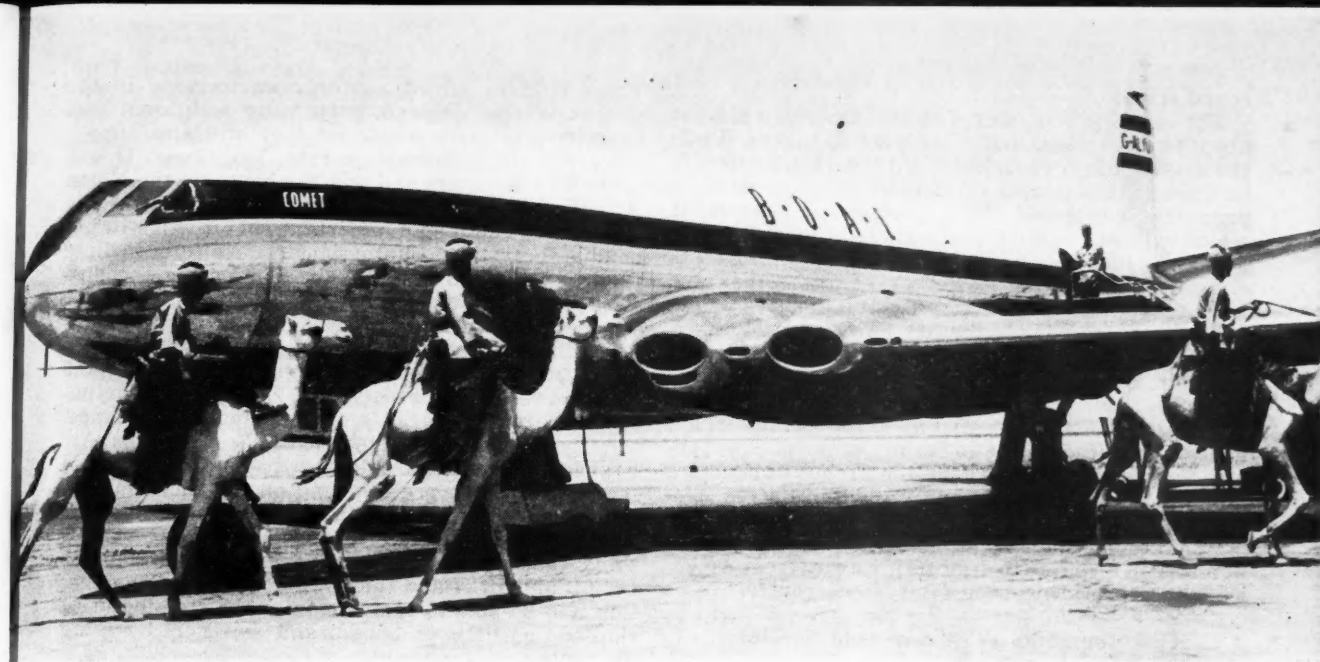


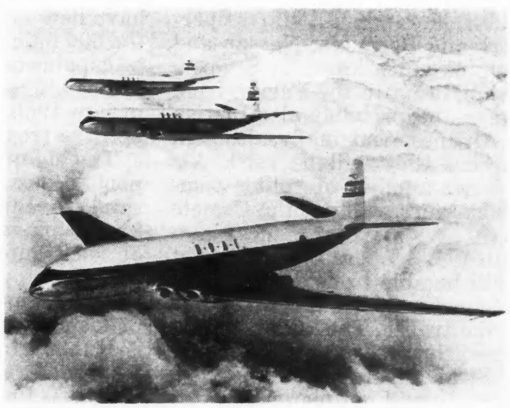
Photo by British Information Service

Sudanese Camel Corps police, on their ships of the desert, inspect the Comet, Britain's newest ship of the air, at Khartoum airport.

New Air Transport Age
Streaks In On British Jet

By J. T. RUSSELL
Noted Aviation Authority

On May 3 a British Overseas Airways Corp. DeHavilland Comet I four-engined jet transport landed at Johannesburg, South Africa, less than 24 hours after it departed from London, 6,724 miles away. The 36 persons aboard had something they could tell their grandchildren about—they were the first passengers ever carried by a jet airplane on a scheduled airline operation.



The flight marked the start of a new era of air transportation, and it revived some questions which have been cropping up periodically ever since the Comet first flew on July 27, 1949: What will Britain's lead in jet transport development mean to the future of American aviation? Can we overtake the British in jet development without losing our dominance in the fields of air transport and aircraft manufacture, having once permitted them to take the lead?

Consensus in the aviation industry, including opinions of both airline operators and manufacturers, is that the battle is not yet irretrievably lost. But some positive action is needed and it must come in the very near future. Best estimate is that we can catch the British by late 1958, both from the standpoint of airline competition and manufacturers' sales, *if* design and construction work on an American jet is started within the next year. If we tarry beyond that point, it is entirely conceivable that we may never catch up.

The British do, of course, have a lead in jet transport development which no amount of rationalization can eradicate. They have a jet with over 2,000 hours of valuable test time and they have it in scheduled service, while American jets languish on the drawing boards. American airline operators and manufacturers are not shrugging off the Comet as a competitive threat. But it is not this early Comet, impressive as its performance may sound to the layman, that they are worried about; they fear the later designs for which the Comet I will serve as a springboard.

A careful observer might have noted that the Comet I, on its London-Johannesburg first flight, averaged only 390 miles per hour and that it carried only 36 passengers. Further, the direct operating costs of the Comet I are 30% higher than those of the American Douglas DC-6B piston-engine transport now going into service, although the DC-6B carries 64 passengers. The combination of the relatively low speed of the Comet I, with its attendant high fuel consumption, the small number of passengers and the high direct operating costs, indicate that the airplane is not efficient from the standpoint of operating economy, since BOAC is charging no premium rate for its jet service (fare on the London-Johannesburg trip was the regular $490 one way or $822

round trip).

The airplane was offered to the American market about two years ago, but there were no takers. While the novelty of propellerless flight would undoubtedly be a sales attraction, the American operator must be primarily concerned with purchasing equipment which will turn a profit, and none felt that the Comet I filled the bill. In addition to the high operating costs and low payload, the Comet I's engines (they are DeHavilland Ghosts developing the relatively low rating of 5,000 pounds thrust) have not progressed to the point of development where their time between overhaul is satisfactory for airline operation, U. S. operators feel.

It might be noted here that all of the airlines which have ordered the Comet so far are government-operated lines—BOAC, Air France, the French Compagnie Maritime des Chargeurs and Canadian Pacific Airways. These subsidized lines apparently feel that it is worth their while to operate without profit, or even at a loss, in an effort to drag traffic away from American lines operating over comparable routes.

Line Competes With American Service

The Comet is already in competition with American flag carriers operating piston-engine aircraft. The BOAC London-Johannesburg service is in direct competition with Pan American World Airways operation between New York and Johannesburg. The service also makes stops at Rome and Beirut, competing with other American carriers between these two points.

In the fall of this year, BOAC will provide further Comet competition to U. S. lines when it starts operating between New York and Bermuda, Nassau and Jamaica. Later, but not too much later, U. S. operators will encounter competition in the Pacific from Canadian Pacific Airways and probably also British Commonwealth Pacific Airlines. And finally, although it is not yet known where they will be used, Air France, which flies a large number of routes competitive with American carriers, will put the Comets in service.

On most of these routes U. S. operators feel, or at least hope, that they will be able to hold their own, since the number of Comets available will not be sufficient to handle all the traffic. The major worrying point is the extremely lucrative North Atlantic route between the U. S. and Europe. Fortunately, jet competition on this route will not materialize for some time. Even the British admit that the Comet I is not a trans-Atlantic airplane, the relatively high fuel consumption of its engines and its comparatively small fuel load precluding operation over long water routes. So the American lines get a breather on their most important competitive route.

Period of Reprieve May Be a Brief One

The big question is how long a breather will it be? The Comet I, development of which started shortly after the end of World War II, was necessarily a rather crude prototype of the jet transport, from the standpoint of efficiency and economy of operation. But the British are not resting on Comet I. Already in development is a newer and much more efficient plane, the Comet II, and a Comet III is projected for the future.

The Comet II will substitute Rolls Royce Avon engines of 6,500 pounds thrust for the present Ghosts. These engines afford not only an increase in the weight of the airplane, permitting additional fuel capacity and more seats, but they will also have a more efficient consumption rate. The Comet II will carry 44 passengers and will be able to fly the North Atlantic routes. It is expected to be in service in late 1954. But —and it's an important but—it will still not be able to fly the Atlantic nonstop. An intermediate fueling point will be required, eliminating the possibility of a direct London-New York run.

American operators are not minimizing the challenge the Comet II will present, for they recognize the attraction propellerless flight will offer to the passenger. Further, recognizing Britain's determination to break America's air transport dominance, they have little hope that BOAC (or perhaps Air France) will charge premium rates for Comet II service. But they are counting on the fact that the intermediate fuel stop will eliminate most or all of the speed advantage afforded by the Comet, and they think that piston-engine aircraft like the Douglas DC-6B and DC-7 and the Lockheed Super Constellation will be able to compete from the standpoint of elapsed time between London and New York by flying the route non-stop.

Third in Series Will Offer Real Rivalry

Little is known in this country about the projected Comet III, but it is the airplane to be feared, since American operators and manufacturers have a good idea of what can be expected from the third plane in a given series. It will have an elongated fuselage and will probably carry about 60 passengers. It will have new engines, still undesignated, and will be in the 600 mile per hour speed class. It will undoubtedly be capable of non-stop London-New York flight. Best information is that it will be available for service in late 1956. That is the date when America's competitive troubles will really start.

The big question, then, is can we have a jet transport in service by late 1956? Few in the industry think so. But they think that we can, by that time, have a plane far enough along in development and of such superior performance characteristics that American operators will be justified in waiting for it rather than buy foreign aircraft, even at the risk of losing some traffic in the interim.

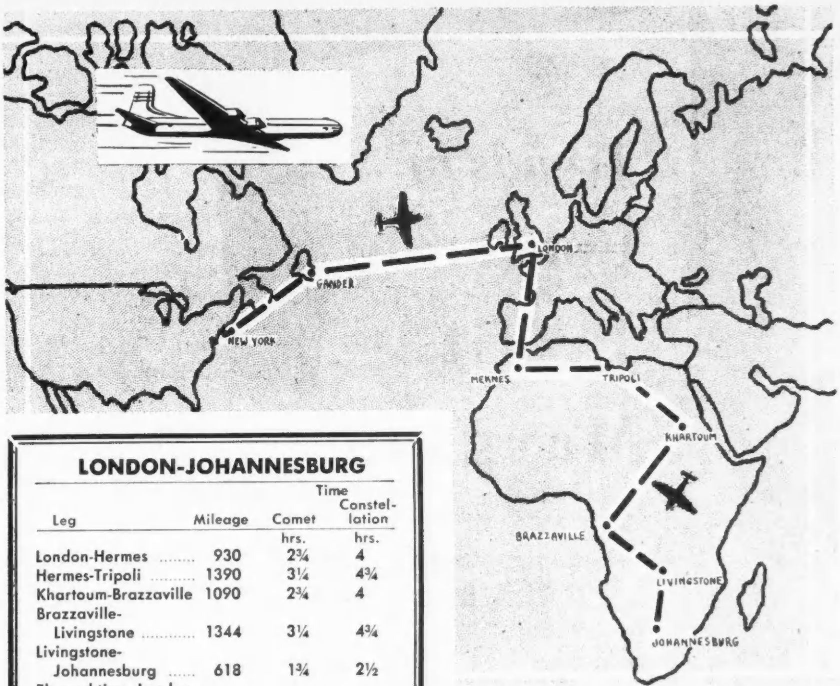
It might be well here to review some of the reasons why we do not have a jet transport today. First, of course, is the amount of money required to undertake such a development, variously estimated at between \$20 million and \$50 million, quite a sum for any one company to lay out, particularly in view of the unfortunate experiences American manufacturers have encountered in development of post-war transports. Some companies thought the government ought to have sponsored the development program, but such legislation met with a remarkable lack of sympathy, particularly because there was no unanimity of opinion among the manufacturers. Some manufacturers want no government connection with the program, feeling that it would certainly engender unwanted supervision and interference and that imposition of military demands upon the design might render it inefficient for commercial service.

Another factor is that U. S. manufacturers had millions of dollars tied up in development of piston-engine aircraft and large orders for them. Naturally, they did not want to compete with themselves by developing a new type which might make obsolete

their piston aircraft before they reached service. Since 80% of all planes now in scheduled service are of American manufacture, the British were not so hampered.

Still another item is lack of air traffic control development. At extremely busy airports such as the major U. S. terminals, some definite provisions are needed for handling jet aircraft in bad weather. A jet cannot afford to spend hours in a landing stack; its high rate of fuel consumption precludes building in provisions for several hours' reserve time, which would impose a penalty on the plane's performance and economy.

The final factor is a difference in design philosophy between British and American manufacturers. The British decided to follow the design stretch philosophy—that is, to start with a relatively crude airplane and develop it gradually as operating experience dictated, substituting new engines as they became available. Thus, they are now operating an uneconomical, relatively low speed, short range airplane which is powered by engines developing only 5,000 pounds thrust. In contrast, the designs American manufacturers are now showing to our airlines call for large aircraft, carrying 60-90 passengers; speeds of 600 miles per hour and above; range equal to or better than the New York-London distance; engine power in the 9,000 to 12,000 pound thrust category with fuel consumption rates not much higher than that of the largest piston-engine now operating; and above all, direct operating costs actually *lower* than those of today's transports. The designs being developed call for direct operating costs of 10-11 cents per ton mile, which compares with 14 cents for the aforementioned DC-6B and about 18 cents for the Comet I. If one or more of these designs reaches service by the target date of 1958, the British will be hard put to match it by that time, despite their estimated current lead of three to five years.



LONDON-JOHANNESBURG

Leg	Mileage	Time: Comet	Time: Constellation
		hrs.	hrs.
London-Hermes	930	2¾	4
Hermes-Tripoli	1390	3¼	4¾
Khartoum-Brazzaville	1090	2¾	4
Brazzaville-Livingstone	1344	3¼	4¾
Livingstone-Johannesburg	618	1¾	2½
Elapsed time, London-Johannesburg		23:38	32:35

NEW YORK-LONDON

Leg	Mileage	Time: Comet	Time: Constellation
		hrs.	hrs.
Gander	1099	3¼	4¾
Gander-London	2344	5	8¼
New York-London	3443	*	8¾

*Comet I can't fly non-stop.

What, then, is the outlook? Here is the consensus of aviation men most directly concerned with the problem: one or more American manufacturers will proceed to build a U. S. design through cooperation with American airline operators and action will be taken soon. It is estimated that an order for 30 planes will justify the start of the project and that one or more airlines will place such an order. This order will be placed as soon as the airlines are convinced that a design offered will be a better performing, more economically operated airplane than anything the British might develop in the interim. One hitch might be the question of who pays the development costs—the airlines feel that the manufacturer should foot the bill, the manufacturers feel that the airlines ought to share the cost in some degree. A compromise will probably be worked out, since both factions know they must meet the British challenge and delay is costly.

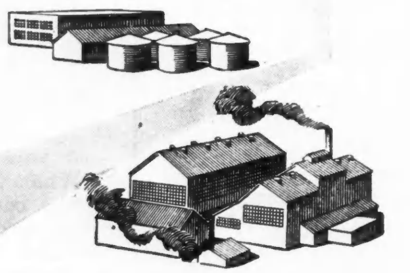
How much will the American jet cost as compared with its British counterpart? It will cost slightly more, since the British have the advantage of lower labor costs. One company estimates that its design would cost $2,500,000 per unit in production. There is no comparable British figure available, but experts estimate that a British plane of comparable performance and payload would cost at least $2,000,000.

The Comet I is currently being offered at $1,200,000, which compares with $1,100,000 for the DC-6B and about $1,500,000 for the Super Constellation. The Comet II will sell for $1,440,000. Initial cost, however, will not deter the American airlines if they can get the type of airplane which meets their performance and economy demands. There is also a possibility of government aid in this respect. One bill (S.2344) has already been introduced in the Senate which would provide a differential subsidy for an American carrier which (*Please turn to page* 348)

U. S. Hopes to Have Better Engine

One factor in the development of these American designs will be engine availability. The thrust ratings of the engines sound high by present standards, but actually there is no question but that engines of this type, with attendant low fuel consumption, will be available by installation time (one such engine is already flying in the Air Force's two new intercontinental jet bombers). Currently, the military demand by far exceeds the supply, but transport manufacturers are counting on engine manufacturers to step up their production to the point where these engines will be available for commercial use.

Trends in... Corporate Profit Margins



—WHERE DECLINING AND NARROWING

By JOHN D. C. WELDON

Since Spring 1951, corporate profit margins have narrowed from quarter to quarter and, at present, stand substantially below the peak of a little more than a year ago. In several of the depressed industries, the profit margin has almost vanished and, in one case, leather, profits have been replaced by deficits.

For industry, as a whole, based on the 19 leading industries represented in Table 1, the average pre-tax margin of profit on stockholders' equity has declined from 29.3% to 24.5%, or approximately 16%, since the second quarter of 1951 when the profit margin was substantially at the peak. The corresponding figure for the average post-tax profit margin for the same industries was 9.3% against 12.1%, or a total decline of 23%.

For the same industries (see Table 11) the average pre-tax profit margin on sales was 8.0% compared with 9.7%, a decline of slightly over 18%. On a post-tax basis, the first quarter 1952 returned net profits of 9% on the average against 13%, in the second quarter 1951, or an average decline of about 30%.

While these are the over-all figures, a glance at the tables will show a great deal of diversity in the actual operating conditions as between industry and industry, and as between company and company within the same industry.

A clear picture of the trend in corporate profit margins is especially important as industry is going through a general process of re-adjustment from the buying excesses of the period directly following the outbreak of hostilities in Korea. Consequently, investors must re-adjust their opinions regarding the prospects of the companies in which they hold stocks.

One of the most revealing figures in corporate earnings statements is the pre-tax margin of profit. Usually, these have to be worked out by statisticians but are available to investors seeking this information. They are worth having.

This most important index of corporate progress—or the reverse—is obtained by adding up all the component factors of corporate costs, such as wages, cost of materials, depreciation, transportation and marketing costs, etc. and subtracting these figures from the total operating revenues. The ratio between the two gives the pre-tax margin of profit, eliminating for purposes of greater clarity such items as income from other sources than sales.

When these figures are accounted for at the end of any given period—quarterly, semi-annually or annually—a ratio is established which indicates (a) the relationship between operating costs and operating revenues, or, the pre-tax operating margin and (b) the relationship between the gross profit and the physical plant, or stockholders' equity. Both sets of figures, if referred to actual operating conditions, give a fairly accurate picture of operating results and indicate whether these results compare favorably or unfavorably both as to long-term and short-term trends.

Though investors are naturally interested in final results as expressed in per-share earnings after taxes, the pre-tax margin is a better index as it indicates the actual conditions in which the industry and company is operating and also reflects managerial competence as compared to other companies in the same field. On the other hand, the income tax is a factor over which the management has practically no control, since it is imposed arbitrarily by the government, and, hence, is not a true index of a company's condition.

Variations in Company Margins

In order to illustrate how current and recent conditions have affected corporate profit margins, we have listed in Table III four representative companies in 7 leading industries. This table may be compared with Tables I and II which show how the profit margin varies in various important industries. These tables reveal two salient facts (1) the generally declining profit margin, with some exceptions duly noted and (2) the wide variations in the profit margins of companies within the industries. The latter is an especially important consideration for the investor for by comparing his own company's

TABLE I – *Profits on Stockholders' Equity*

(Manufacturing Corporations)

	Before Taxes			After Taxes		
	2nd Q. 1951	3rd Q. 1951	4th Q. 1951	2nd Q. 1951	3rd Q. 1951	4th Q. 1951
Food	18.4	18.9	17.0	9.2	8.8	7.6
Tobacco Mfr.	20.4	22.5	23.7	10.0	9.2	9.4
Textile Prod.	23.2	11.8	9.1	10.0	4.8	4.1
Apparel and Finished Textiles	11.2	11.5	8.4	4.4	4.8	1.8
Lumber & Wood	31.6	20.6	16.4	16.0	10.6	9.9
Furniture	28.8	22.2	17.4	11.6	9.8	8.1
Paper	42.8	32.6	27.5	17.6	12.4	9.9
Chemicals	32.4	31.2	28.0	14.0	10.7	11.3
Petrol. Ref.	23.0	22.8	22.8	15.1	14.6	16.4
Pet. Products	34.0	27.5	24.5	14.0	10.8	10.8
Rubber	41.2	31.3	35.8	15.6	12.2	13.1
Leather	17.6	16.9	1.0	7.2	6.6	—2.0
Non-ferrous	32.8	24.2	26.8	14.8	10.4	13.9
Iron & Metal	35.6	29.7	32.1	13.6	8.5	11.7
Machinery	34.8	28.6	43.3	14.0	8.6	16.9
Elect. Machy	34.4	28.6	43.3	14.0	8.6	16.9
Transport. Equip.	25.2	18.3	29.4	11.6	8.0	11.2
Motor Veh. & Parts	44.0	34.0	37.6	17.2	10.6	13.1
Misc. Mfr.	26.0	17.3	21.8	10.0	6.7	10.4

TABLE II – *Profits Per Dollar of Sales*

(Manufacturing Corporations)

	Before Taxes			After Taxes		
	2nd Q. 1951	3rd Q. 1951	4th Q. 1951	2nd Q. 1951	3rd Q. 1951	4th Q. 1951
Food	4.9	4.9	4.3	2.5	2.3	1.9
Tobacco Mfr.	8.3	8.9	9.0	4.1	3.6	3.6
Textile Prod.	10.2	6.0	4.4	4.7	2.4	2.0
Apparel and Finished Textiles	3.2	3.0	1.7	1.3	1.3	0.9
Lumber & Wood	16.1	11.5	9.8	8.2	5.9	5.9
Furniture	9.4	8.9	5.9	3.8	3.9	1.7
Paper	19.6	16.8	14.2	7.9	6.4	5.1
Chemicals	17.5	18.0	15.9	7.4	6.2	6.4
Petrol. Ref.	17.5	17.2	16.4	11.4	11.0	11.8
Petrol. Prow.	13.0	10.6	9.9	5.3	4.2	4.4
Rubber	12.2	10.0	11.1	4.7	3.9	4.0
Leather	5.9	5.7	0.3	2.4	2.2	—0.7
Non-ferrous	19.3	16.2	16.3	8.7	7.0	8.5
Iron & Metal	16.6	14.9	15.5	6.4	4.3	5.7
Machinery	14.5	13.1	13.6	6.2	4.8	4.7
Elect. Machy.	12.2	11.1	14.1	5.0	3.3	5.5
Transport Equip.	8.2	6.7	8.0	3.7	2.9	3.1
Motor Veh. & Parts	13.8	12.4	13.5	5.4	3.8	4.7
Misc. Mfr.	11.3	8.6	9.3	4.9	3.3	4.5

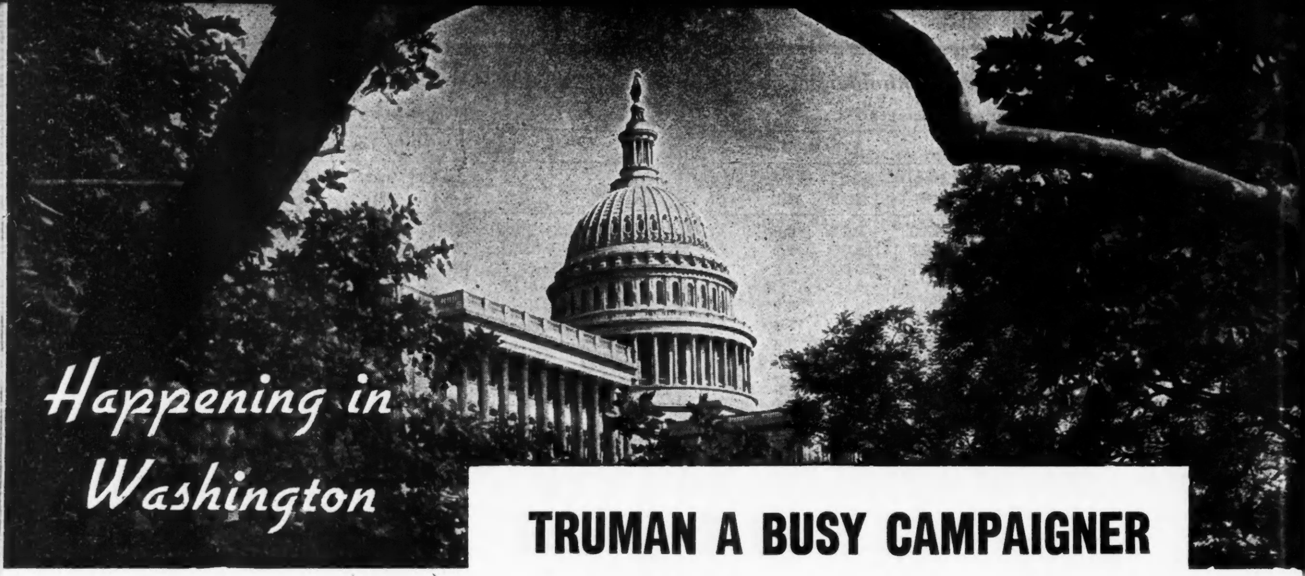
record with that of other members of the group, he is in a better position to decide whether his investments is soundly based or not, according to current conditions.

It does not necesarily follow that a lower profit margin indicates lower operating efficiency. Some industries, such as food, have a characteristically low profit margin, depending on large sales volume for profits. Other industries, such as shoes and leather, for example, may be basically afflicted by adverse conditions at a given period so that no exceptions to the trend are possible. On the other hand, where wide variations occur in the operating profits of companies within the same industry, the reason must be sought in the individual characteristics, such as the nature of the (*Please turn to page* 346)

TABLE III – *Operating Results of Leading Companies*

	1st Quarter 1952				4th Quarter 1951				3rd Quarter 1951			
	Net Sales (Millions)	Pre-Tax Margin	Net Profit Margin	Net Per Share	Net Sales (Millions)	Pre-Tax Margin	Net Profit Margin	Net Per Share	Net Sales (Millions)	Pre-Tax Margin	Net Profit Margin	Net Per Share
BUILDING												
Certain-Teed Products	$ 12.4	10.9%	4.9%	$ .37	$ 13.5	12.5%	9.7%	$ .82	$ 15.8	15.1%	7.4%	$ .73
Johns-Manville	56.0	16.1	9.8	1.74	59.7	16.4	8.7	1.65	58.0	20.2	11.5	2.12
Otis Elevator	17.6	17.3	10.4	.93	29.2	10.0	8.8	1.34	22.1	19.9	10.8	1.20
U. S. Gypsum	41.6	28.5	11.1	2.81	42.7	25.1	10.6	2.76	47.8	28.1	9.9	2.87
CHEMICALS												
Atlas Powder	12.3	6.9	3.5	.67	12.8	6.7	3.7	.75	12.8	10.4	3.0	.58
Commercial Solvents	10.6	3.2	1.8	.07	18.2	10.3	7.6	.53	12.7	17.0	10.5	.51
DuPont	385.2	32.2	13.2	1.06	385.2	38.7	16.0	1.30	384.2	38.5	10.5	3.34
Union Carbide & Carbon	231.4	26.4	10.1	.81	237.0	26.4	11.3	.94	232.2	27.9	10.0	.81
ELECTRICAL EQUIPMENT												
General Electric	560.5	16.3	5.1	1.01	625.2	20.5	8.3	1.81	509.3	14.6	3.0	.54
Philco Corp.	84.2	6.8	2.7	.64	76.8	8.1	5.4	1.17	57.4	2.4	3.9[1]	.60
Radio Corp. of America	163.8	9.0	4.3	.45	175.5	13.8	7.3	.87	118.9	4.6	2.2	.13
Westinghouse Electric	323.8	13.3	4.8	.97	339.8	14.6	6.4	1.36	310.4	13.8	3.6	.69
FOOD PROCESSING												
Hershey Chocolate	41.7	11.9	5.8	.97	43.4	11.7	6.0	1.01	39.5	16.0	6.8	1.12
Penick & Ford	11.2	11.3	4.6	.70	11.8	11.1	4.5	.73	10.4	9.2	3.6	.52
Standard Brands	89.3	5.1	2.2	.58	86.7	5.1	3.6	.93	83.6	4.8	2.5	.60
Wesson Oil & Snowdrift	48.3	3.8	1.7	.48	52.6	4.2	1.9	.63	37.0	6.8	2.1	.43
MACHINERY (Industrial)												
American Machine & Fdry.	17.4	8.7	3.6	.44	18.3	14.3	7.8	1.13	14.1	9.7	4.2	1.29
Borg Warner	89.6	16.5	5.9	2.21	73.8	21.1	7.8	2.41	93.5	14.7	4.1	1.59
Ex-Cell-O Corp.	18.1	19.7	5.8	1.67	16.4	23.0	8.2	2.11	18.1	21.0	6.3	1.80
Link Belt	34.6	15.7	6.0	1.26	31.8	17.5	7.6	1.46	29.5	17.5	5.3	.96
METALS												
American Smelt. & Ref.	131.8	13.9	6.9	1.57	131.6	16.8	8.6	1.89	123.2	13.1	6.5	1.37
Anaconda Copper	120.2	19.8	8.1	1.27	127.5	21.6	12.3	1.83	101.2	16.8	8.9	1.04
Howe Sound	8.1	22.7	11.8	.59	7.7	29.9	16.0	2.11	8.3	28.7	16.9	2.83
International Nickel	75.6	38.3	21.6	1.09	83.5	36.5	20.4	1.14	71.6	40.5	22.8	1.09
STEELS												
Allegheny-Ludlum Steel	52.7	6.5	2.8	.84	57.9	8.7	2.6	.90	54.1	12.5	4.1	1.36
Granite City Steel	15.9	10.8	6.2	.65	20.5	12.3	3.7	.59	21.9	14.2	6.1	1.05
National Steel	133.5	15.2	6.5	1.19	146.3	22.3	7.3	1.48	150.9	21.3	7.0	1.44
U. S. Steel	864.1	14.9	5.0	1.43	917.0	16.6	5.4	1.66	867.1	16.4	3.2	.83

1—Includes tax refund and other non-recurring items.



TRUMAN A BUSY CAMPAIGNER

By E. K. T.

DESPITE popular admonitions to the contrary, crime does pay. It is paying the Bureau of Internal Revenue's collections to the tune of 115 million dollars in the past 10 months, and at least 45 millions more have been promised by the end of next month, when the fiscal year ends. The Treasury has turned the heat on known hoodlums, suspecting rightly that if they are careless about one law they probably sneer at all the others. Returns of 10,000 "hoods" were examined and more than 150 millions of dollars in "errors" were turned up. Being processed are 7,000 additional returns.

WASHINGTON SEES:

Dwight D. Eisenhower's return to the United States has touched off a campaign bitterness that the Republican party feared but hoped would never happen. What the results might be insofar as the political futures of Ike and Senator Taft are concerned can only be conjectured, but the outlook at this point cannot objectively be appraised as helpful to either.

The Eisenhower-Taft battle has blacked out just about every topic in normally loquacious Washington. The Capital is an armed camp. Conversationally it might be compared to Louisville on the eve of the Derby or Manhattan in the midst of a "subway World Series." There's a single dominant topic.

If the effort were conscious, a better job of risking the best chance the Republican party has had in 20 years could hardly be achieved. If either Eisenhower or Taft is nominated, he will go to the post carrying the weight of challenge to the fitness of his Presidential performance—out of the mouths of his fellow party members. Democratic national committee publicity men and speech writers are guarding press releases from both camps as Old Masters might be protected; they believe it is only necessary to read to the voters what republicans have said about republicans to insure a win.

They could be wrong. Never scientifically tested is the question whether rank-and-file voters pay much attention to what party "leaders" have to say.

WHITE HOUSE legislative liaison men are fuming over absenteeism on Capitol Hill which, instead of lessening following a barrage of outspoken criticism, actually is increasing. And for some inexplicable reason it seems to be more epidemic among the democrats than in the GOP ranks. Result is that the Administration has lost the small majority it possessed and, consequently, has lost some major battles. The foreign aid bill is an example; the republican leadership slashed it while the democrats were away. If there's an explanation it probably is: election year.

LEAST BUSY agency in government today probably is the ponderous sounding Bureau of Home Nutrition and Home Economics of the U. S. Department of Agriculture. It had been conducting a project to produce brochures with menus to encourage use of potatoes and the number of menus seems to have overtaken the potato supply. The planned farm economy, reducing and destroying spuds, and increase in population, are stated causes. Actually Department heads did some wrong guessing, too. They simply assumed people were cutting potatoes from the menu because they're fattening. Blamed the women.

COSTLY victory may have been won by Senator Taft in the Texas GOP delegate pursuit. By the effective process of barring the choices of the voters from participating in the delegate convention, the Taft organization—which had control of the party machinery—handed the delegates over to Taft and gave Eisenhower a political morals argument that could prove devastating to his opposition. The Ohio Senator has escaped this type of attack, at least within his own party, up to now. He can't very well repudiate the action, therefore becomes a party to it, and the fur will fly.

As We Go To Press

Whether President Truman takes to the highways and by-ways in a whistle-stop campaign or not (he still insists he will although it's hardly conceivable that he will do so unless the candidate and the platform are largely of his own selection) it is becoming increasingly clear that he is marking out targets of attack. In almost eight years of White House residence, Mr. Truman has built up a list of groups and individuals who contributed toward making life more miserable for him. Now his chance is coming to get even. And electric power companies are bracing for the best-organized attack since the days of the holding company fight.

The issue of public vs. private power production and distribution is one of the handiest for campaign purposes. It can readily be illustrated that persons in areas serviced by public projects, such as TVA, are billed less for comparable utility than those who patronize the private company. And the President already is attempting to turn the latter segment of the population against clarifying explanation by pointing out that the cost of radio and printed advertising necessarily goes on the consumers' monthly bills. That makes it difficult to get across to the populace the simple fact that the public installation was paid out of tax income, but contributes nothing to that fund.

The American Medical Association and the real estate "lobby" are other prime targets. Nationalized medicine has a tremendous appeal to a great mass of voters who have not seen it in action. (Mention of the subject invariably recalls to students who have explored it in detail rather than in broad outline, the situation in England where Clement Attlee put it into effect but ignored the "panel" and picked his own private physician when he became ill.) It is true that medical care is a heavy load on the average family's budget. While there are no available statistics to support the statement, it's probably equally true that more persons in the United States are treated free than in England. That, the physicians know only too well!

Discussion continues on Capital Hill over the proposed constitution amendment (S.J. Res. 155) to limit federal spending and borrowing power of the federal government. One of the principal reasons why it is not likely ever to get anywhere is that its sponsorship is catalogued as arch-conservative, a fact that rallies the "liberals" into a phalanx of opposition, organizes a majority of the citizens against it, makes it suspect. Senators Taft and Ferguson, and Rep. Gwinn of Westchester County, New York, might do well to give more prominence to supporters of their amendment who have a reputation for closer contact with the masses. They haven't chosen to so far although the opportunity is present.

Lack of elasticity in any constitutional amendment looking to this result makes the draft vulnerable. But it really isn't as prohibitive as its title would make it appear. It imposes, for instance, no limitation on strictly military expenditures; wouldn't interfere with the financing of any war that might be thrust upon the country. It declares that non-military spending must be confined in any year to not more than five percent of the estimated annual income of that year. It would require congress to face up to the fact that public debt must be retired, and plainly label special taxes for that purpose and for interest on borrowings. By two-thirds vote of both houses it could be determined that emergency exists and shall be financed beyond the constitutional limits.

The Teamsters' Union, powerful organization and potent factor in the democratic party's political successes of the past 20 years, shows signs of "taking a walk" in November. Its president, Dan Tobin, usually has been the first of the big labor leaders to declare himself, pull other leaders into the party ranks, but last week he expressed doubt whether the Teamsters would indorse any candidate. That, in itself, was withdrawal

from old associations, but Tobin went farther: "Don't tell me that labor is given any sincere, real consideration by many of the politicians today holding office in Washington."

Tobin is considered to be labor's best politician, a role he grabbed from John L. Lewis when the coal miners' chief made an abortive effort to take the union vote away from FDR because Lewis, personally, had not been consulted on matters which the President obviously considered no more of Lewis' business than that of any other private citizen. The teamsters' leader is particularly annoyed at President Truman, he makes clear in a message addressed to his huge membership which, however, doesn't mention the President's name: "President Woodrow Wilson and President Franklin D. Roosevelt never forgot their campaign promises or the pledges made in the platform on which they were elected." Decision on whether to indorse a candidate will be held up until an October meeting. It will turn on whether the Administration should have done more to erase the Taft-Hartley Act from the statute books.

While control agencies have been crying publicly about unwillingness of congress to continue existing powers on as broad a scale as the government people have insisted is necessary, the same agencies are engaged in a slow but steady release from economic controls. Improved materials supply position is the prime reason; it's been going on for months and shows no sign of reversal. It is reflected in suspension of price ceilings as well; the OPS still prefers suspension to outright cancellation in spite of showing that reinstatement possibility is a deterrent to firm contracts.

The controls offices have been acting with reluctance. Each set of loosening strictures adds weight to the belief that, maybe, the country doesn't need as rigid a law as the administrators would impress. The Federal Reserve Board has suspended much of its credit controls in obvious anxiety to hold the basic powers, demonstrate that it can be relied upon to adjust its orders to changing conditions. There has been strong pressure upon congressmen in this respect and even though FRB relaxed rather than removed some of the regulations, the lawmakers seem satisfied and the Board is likely to win its point.

Among the wage and pricing officials it has been recognized from the beginning that whatever the Supreme Court decided on the question of plant seizure, their problems wouldn't be solved. Price increase, going up through the ceiling, was conceded to be inevitable — the White House offered $1.50 more per ton than the regulations provide. That was before the case went to the court and a final determination could be made as to the extent that the ceiling would be ignored.

Industry generally is awaiting the outcome of the steel wrangle. Once the roof is pierced, all will see the light of the Capehart Amendment and demand their share of the benefits congress provided to compensate for increased costs of production. It's perfectly legal; nothing tricky about it — congress merely said if costs go up then prices should follow. OPS thinks the whole idea is inflationary but is required by positive law to follow the formula laid down. Prediction: OPS will institute delaying actions on all Capehart Amendment resolutions, insist on "studies," appoint "panels," throw barriers in the way of prompt action and, of course, deny application of new ceilings on a retroactive basis. The latter is of major importance and the law seems to be on the side of the control agency.

Government employees' organizations smiled indulgently when the house of representatives directed that agency personnel be reduced by 10 per cent through the process of not replacing those who "separate" from their federal jobs. The senate, they were certain, would take care of the situation because, after all, a large degree of patronage was involved. To their great surprise the senate went along with the house. It doesn't mean much to the taxpayers when civilian payroll is placed against military expenditure; it means several millions by the end of the fiscal year, but millions don't have the same meaning in government operation as they do elsewhere. But personnel reduction means less influence by the government workers in moulding pay and leave legislation for those who remain on the jobs. The prospect is unpleasant to them.

Significance of Continuing

Decline in Price of Gold

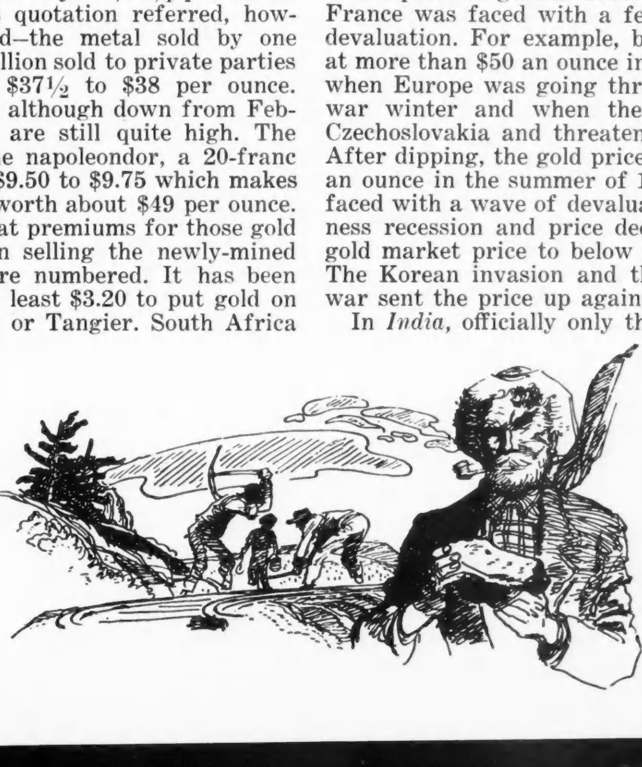
By V. L. HOROTH

Temporarily at least, the great gold hoarding rush seems to be nearly over. The gap that has separated the official price of gold ($35 per ounce) from free gold market quotations narrowed around the middle of May in Paris to just $36¾ per ounce. At $36¾ per ounce this quotation referred, however, to the transit gold—the metal sold by one dealer to another. Gold bullion sold to private parties in Paris was quoted at $37½ to $38 per ounce. Premiums for gold coins, although down from February and March levels, are still quite high. The famous gold napoleon—the napoleondor, a 20-franc gold piece—brings about $9.50 to $9.75 which makes gold in these gold pieces worth about $49 per ounce.

However, the days of fat premiums for those gold producers who have been selling the newly-mined metal in free markets are numbered. It has been estimated that it costs at least $3.20 to put gold on the free market in Paris or Tangier. South Africa is reported to find it unprofitable to sell gold below $38 on the free market. Those producers who sell in such markets as Macao (Portuguese colony near Hongkong) or Beyruth, where transportation charges and risks are high, must realize even higher price in order to show profit. However, even in Macao, the gold price dropped last month below the $40 per-ounce level.

There has been considable variance in the price of gold in individual free markets. As a rule, the Zurich price has been the lowest. This has been partly due to the fact that while anyone was free to bring in and to own gold in Switzerland, it was not permitted to take gold out of the country. Since December 15, 1951, however, anybody can buy or sell, import or export gold in Switzerland, with no questions asked.

The price of gold in Paris was always high when France was faced with a fear of war or currency devaluation. For example, bullion gold was selling at more than $50 an ounce in the winter of 1947-48, when Europe was going through her hardest postwar winter and when the communists captured Czechoslovakia and threatened the rest of Europe. After dipping, the gold price rose again to over $50 an ounce in the summer of 1949, when Europe was faced with a wave of devaluations. After that, business recession and price declines brought the free gold market price to below the $40 an-ounce level. The Korean invasion and the threat of a general war sent the price up again, however.



In *India,* officially only the Government can import or export gold. The supply in the free market in Bombay, can therefore, be replenished by sales by the Indian Government, new production, or by smuggling, which is expensive. Following the Partition, gold went up to over $90 an ounce, because of general uncertainty: fear of inflation,

World Gold Output
(in millions of dollars)

	Valued at $35 per oz. 1940	1945	1948	1950	1951
STERLING AREA					
South Africa	$ 492	$ 427	$ 405	$ 408	$ 403
Australia	58	23	31	30	29
Brit. West Africa	33	19	23	23	24
South. Rhodesia	29	20	18	18	18
India	10	6	7	7	8
New Zealand	7	4	3	3	3
Total	$ 629	$ 499	$ 487	$ 489	$ 485
WEST. HEMISPHERE					
Canada	186	93	124	156	153
United States	169	35	74	80	70
Colombia	22	18	12	13	15
Mexico	31	18	12	14	14
Brazil	9	7	5	8	8
Chile	12	6	6	7	7
Nicaragua	6	7	8	8	9
Total	$ 435	$ 184	$ 241	$ 286	$ 276
OTHERS					
Philippines	39	1	7	11	12
Bel. Congo	20	12	11	12	13
Japan	30	2	4	4	5
Grand Total(a)	$1,295	$ 738	$ 805	$ 861	$ 830

(a)—Including estimate for all others.

which was not unfounded, fear of war with Pakistan, and concern about the future of the rupee. But as confidence in the future of the new state gradually returned, and especially following the devaluation of the rupee in 1949, people were less anxious to protect themselves by owning gold, and the price dropped to about $60 per ounce.

For the Indians, whose history is a record of invasions and plunder, gold remains a favorite form of saving. But a drop in commodity prices, such as occurred recently, either diminishes the demand for gold or brings about some dishoarding (dis-saving). This development together with the tightening of credit, intended to discourage speculation, has curtailed the demand for gold, and the Bombay price dropped to about $48 per ounce late last month.

In the Far Eastern markets, *Shanghai, Hongkong, and Macao,* the price of gold was high just before the collapse of the Chiang regime on the Asiatic mainland, when hundreds of thousands of refugees were bidding for the metal to protect themselves from the rapidly depreciating currency. Since those days, the demand for gold in the Far East has shrunk, and there was even some dishoarding on the part of Chinese refugees, who have been selling gold to maintain themselves.

As was already hinted in the case of *India,* declining commodity prices, spreading business recession in raw material producing countries, and anti-inflationary moves on the part of various governments have been responsible for the latest drop in the free market price of gold. Even in *France,* where the people are by no means convinced as yet that the Pinay Government has won the battle of the franc, the demand for gold—except for occasional spurts—is falling off. But it is estimated that French people have already salted away between $4 and $5 billion worth of gold in their stockings and mattresses—and there is a limit even to hoarding. Besides, the cost of living has risen materially in France, and there are fewer savings to be set aside in the form of gold.

The worldwide contraction in the demand for gold is only one explanation of the present weakness of the free price of the metal. Another explanation is that the supplies of gold offered in free markets are larger than ever. This is not because more gold is being mined, but rather because practically all gold producing countries have been anxious to benefit from the free market premiums.

The world output of gold (outside of the communist orbit) was, according to figures published by the Union Corporation, 23.7 million ounces, or about 700,000 ounces less than in 1950. The largest decline took place in the United States, which now mines about 2 million oz. of gold as against nearly 5 million ounces in 1940. Production remained about stationary in the sterling area countries, South Africa, Australia, Southern Rhodesia, and West Africa. It increased in Colombia, the Philippines, Japan, and the Belgian Congo.

In 1950, according to the Union Corporation—a holding company for South African gold mines—some $420 million of gold, out of the world gold output of $860 million, was diverted into "arts and industries" and into hoards. In 1951, the Union Corporation estimates, out of the world output of gold valued at some $830 million, well over $600 million found its way into industrial uses and hoards. Only about $200 million of new gold was absorbed by central bank reserves. This was the first time in modern history that more gold was used for nonmonetary uses than for monetary ones.

Large Sales Began in 1949

The big gold producing countries, such as South Africa, began to dispose of their production in premium markets in 1949—at that time against the expressed wishes of the International Monetary Fund. At first, these producers tended to limit their sales to about 40 per cent of their output. This was a purely arbitrary figure. In September 1951, the I.M.F.—which, after all, does no more than represent the collective views of the majority of its members—capitulated to the pressure of gold producing countries and abandoned all attempts to control international traffic in gold. The result has been a gold free-for-all.

As country after country removed restrictions binding its gold producers, free market premiums began to fall off; until recently the situation has been reached where it will be almost as profitable to sell gold at official prices as to go to the trouble of finding outlets in free markets. Apparently in Canada the producers are already availing themselves of the subsidy which brings the price to about $37 per ounce, rather than selling in free markets for U. S. dollars.

South Africans are now also selling gold for soft currencies, just to get the benefit of some premium. The only lucrative business appears to be the sale of gold coins, and it is reported that French and Italian Governments are now busily minting gold louis d'ors and napoleon d'ors out of the bullion acquired in free markets, to make handsome profits.

The decline is free market premiums comes at a time when gold mining costs throughout the

world are on a steady increase. Since more than two-thirds of new gold is produced in the sterling area countries, it is the sterling price of gold rather than the dollar price of gold that determines the profitability of mining operations.

The prewar price received for gold by South and West African producers was about 140 shillings per ounce. The devaluation following the outbreak of the war raised the gold price to about 172 shillings, but because of wartime taxes the actual price received by gold miners was considerably smaller. The 1949 devaluation of sterling lifted the sterling price of gold to 248 shillings. Additional revenue derived from the sale of gold in free markets brought the sterling price up to about 280 shillings in 1950 and to 265 shillings in 1951.

Devaluation of Little Aid

But the nearly 50 per cent increase in the sterling price (counting the premium) has not encouraged gold mining in the sterling area countries as much as might have been expected. The principal reason for this has been the rise in costs: more expensive supplies, especially steel, and much higher wage rates.

The rise in mine costs has hit hardest the mines in the United States, Canada, and Australia. South Africans have done better, but even there the mining costs were reported exceeding 33 shillings per ton as against 20½ shillings in 1940. Moreover, when selling in premium markets increased in 1951, the South African Government raised taxes on mining profits to almost the wartime level. Nevertheless, the companies did fairly well. The 1951 dividends were still high at about £44 million though some £7 million below the 1950 figure. The 1952 dividends are expected to be down some 25 to 30 per cent. On the other hand, the companies are still working fairly low grade ores, thereby adding to the life of their mines.

The decline in free market premiums and the contraction in demand for gold will unquestionably work a hardship on some companies, particularly in those countries (Mexico, Australia) where costs are still rising. In South Africa a sufficiently large labor force is more of a problem than ever. Moreover, the present policies of the Malan Government are just sowing seed for political and labor troubles in the future.

The size of the Russian gold reserves and the Russian gold production are among the most closely guarded secrets of the Kremlin. In the late 'Thirties, the Soviet Union used to produce about 5½ million oz. of gold worth around $190 million. The output during the war apparently declined sharply, but the Russian road and railway building activity in Eastern Siberia as well as the location of huge "slave labor" camps in that area intimate that Russian gold output must have been not only restored to prewar, but more likely, considerably expanded. As to the size of Russian and satelite gold reserves, the best informed guesses put that at $3 to 7 billion. Of the satellite countries, Roumania is by far the most important producer.

It has been known right along that the Russians have been unloading gold during the postwar years not only in such places as London (receiving the official price) but also in the premium markets: Tangier, Beyrouth, Cairo and Macao. The extra prices received in these premium markets make gold go farther in financing imports as well as communist propaganda. The closing of the gap between the offical and free market prices for gold means, of course, smaller profits for the communists.

The decline of gold in Western premium markets (Paris, Tangier) from about $55 to $60 per ounce in 1946 to the present price of about $38 raises an interesting question: was gold a good investment?

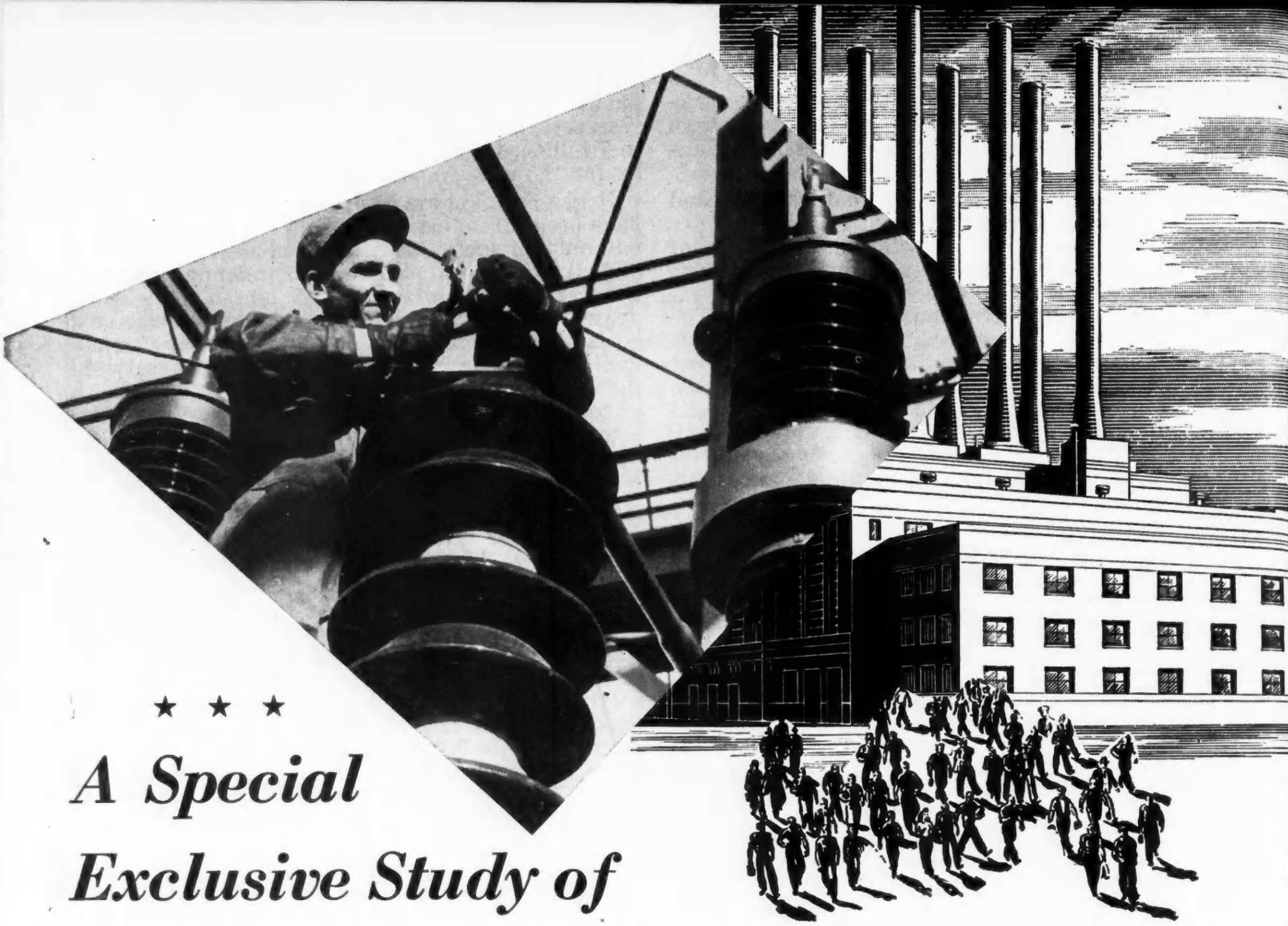
The answer is that in the countries where currencies have been deteriorating gradually in the postwar period, as in France, Greece, Spain, and many Near-Eastern countries, by holding gold the people have probably preserved their capital substance as well as could have been expected under the circumstances. They might have done better by holding American and Canadian dollars or securities, or Swiss francs, but holding currencies or securities must have appeared pretty risky to the average Frenchman or Syrian when another international conflagration threatened at the time of the Korean invasion. As to the Americans, the Canadians, or the Swiss, gold purchased by them four, five years ago, and say, deposited in Switzerland or Tangier, would have been a constant source of worry. They would have received no interest and their capital substance would have declined some 25 per cent.

If any lesson emerges from the postwar experience, it is that investment in gold is an investment of turbulent times. If one believes that we are headed for another international conflagration, or as the eminent gold (*Please turn to page* 346)

Free Market Gold Prices

	Paris				Bombay		Alexandria	
	Bullion		Gold Napoleon					
	Fr. per gr.	$ per oz.	francs	$ per oz.	Rupees per tola	US $ per oz.	E £ per dir	US $ per oz.
1947								
Dec.	530	51	3,580	62	103	83	172	71
1948								
Dec.	808	49	5,910	61	113	91	153	63
1949								
June	663	52	4,170	64	120	96	155	64
Dec.	632	46	4,533	61	114	64	167	47
1950								
June	449	39	3,132	47	113	63	151	42
Dec.	511	44	3,839	53	112	63	155	43
1951								
June	518	43	4,253	59	115	64	157	44
Dec.	571	42	4,332	52	107	60	163	45
1952								
Feb.	613	43	4,689	53	......	....	......	....
May	490	37	3,950	49	88	48	145	42

Note: Currencies converted at the free market rate, except for the rupee.



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A Special Exclusive Study of PUBLIC UTILITIES

By OWEN ELY

There are now about 120 stocks of electric utility operating companies available to the investing public, together with ten of the integrated holding companies which have gone through the SEC wringer and now conform to the Utility Holding Company Act. A recent compilation including all these companies showed an average yield of about 6.1% and a price-earnings ratio of 12.7 times—which figures may be considered as standard "yardsticks" for use in appraising utility stocks.

The average dividend payout now approximates 77%—an increase from the old level of 70% a year or so ago. In 1951 a large number of dividend increases occurred despite the fact that the increased tax burden forced average share earnings down about 7% or 8%. This apparently indicated a desire on the part of the utilities to maintain or stimulate interest in their stocks in order to permit equity financing, and the move also reflected confidence in the future outlook.

This confidence seems justified thus far. While earnings were down last year they turned the corner in November and the latest available monthly figures have been making favorable comparisons with last year. Asuming that this continues, further dividend increases may be anticipated (there have been one or two recently such as Middle South Utilities), and some of the payout percentages which now seem rather high will be restored to normal.

Despite the recent challenge of President Truman to the utilities, they're enjoying far better relations now with the public and with Congress than they did some fifteen or twenty years ago. Old time abuses have been quite fully corrected, capital structures have been put on a conservative basis and the trend of average residential rates has remained steadily downward, year by year and almost month by month, despite the continued increase in wages and commodities.

The utilities can now obtain a respectful hearing from Congress. When excess profits taxes were enacted nearly two years ago, the utilities pointed out that they were prevented by strict state regulation from earning much over 6% on their investment and that they should not be subject to EPT.

EPT Relief Sighted

Due to technical factors in the application of the law it was feared that some utilities might find the EPT burden excessive, which would prevent the financing of new construction. Congress listened to this plea and inserted special provisions in the law which have exempted the great majority of utilities from EPT, while those which have to pay have found the burden relatively light.

Again last year Congress gave special considera-

tion to the utilities by exempting them from the long-standing Federal excise tax of 3⅓%, which applied mainly to residential and commercial revenues. Omission of this tax, which began last November, more than offsets the increase of 1¼% in the Federal income tax rate this year as compared to 1951 (52% vs. 50¾%). Consolidated Edison, Long Island Lighting, Florida Power & Light and others with a low proportion of industrial business will benefit more from this exemption than those with average or high industrial loads.

Amortization Period Cut

Moreover the utilities have been permitted by Congress to share in the tax advantages granted to companies which are building "defense plants", by permitting them to amortize the cost of these plants over a period of five years (instead of the much longer periods used for ordinary accounting purposes). This means that net income as reported to the Treasury Department will be lower than as reported to stockholders and that substantial tax savings are obtained as a result during the current period of heavy tax rates. The utility companies which have obtained permission to amortize the cost of new plants are debating whether to include these tax savings in their published reports of earnings; the SEC apparently favors such a policy while some of the state commissions and many of the companies themselves are opposed to giving such an artificial fillip to earnings. In any event, the companies will probably footnote their taxes to indicate such savings and investors should be on the alert to see whether earnings are being favored in this manner.

An indirect result of such tax saving will be that a few utilities may be able to pay part of their dividends on a tax-free basis, which always interests

Comparative Earnings, Dividend Record and Comment on Important Electric Utilities

	Earned Per Share*			Dividends Per Share			Recent Price	Div. Yield†	Price Range 1951-52
	1951	1950	1949	1951	1950	1949			
American Gas & Electric	$4.55	$4.86	$4.31	$3.00[2]	$3.00	$2.25[2]	61	4.9%	63¼-51⅝
Cincinnati Gas & Electric	2.89	2.99	3.33	2.00[3]	1.70	1.40	38¼	5.2	41¾-31¾
Cleveland Electric Illum.	3.68	3.40	3.06	2.60[3]	2.40	2.20	52½	4.9	53¾-42¼
Commonwealth Edison	1.93	2.12	2.13	1.80[3]	1.60	1.52½	32⅛	5.6	33 -27⅝
Consolidated Edison	2.26	2.44	2.22	2.00	1.70	1.60	35¼	5.6	35¾-30
Consolidated Gas, Elec. Lt. & Pr., Balt.	1.67	1.86	1.51	1.40	1.30	1.20	26⅜	5.3	27½-24
Dayton Power & Light	2.74	2.87	2.78	2.00	2.00	1.80	34½	5.7	35⅝-29¼
Detroit Edison	1.68	2.18	1.73	1.40[3]	1.20	1.20	23½	5.9	25⅜-21⅝
Illinois Power Co.	2.79	2.84	3.04	2.20	2.20	2.05	37¼	5.9	40 -32⅝
Indianapolis Pr. & Lt.	3.34	3.61	2.89	1.85	1.60	1.57½	34⅞	5.3	38⅛-21½
Middle South Utilities	1.81	1.82	1.23[4]	1.30[3]	1.10	.27½	23⅞	5.4	24 -18
Niagara Mohawk Power	2.05[1]	1.96	1.94	1.60[3]	1.40	......	26⅞	5.9	27 -20¾
Northern States Power	.85	.93	1.04	.70	.70	.70	11⅛	6.3	11⅞- 9¾
Ohio Edison	2.60	2.98	2.95	2.00	2.00	2.00	34¼	5.8	34⅞-33⅛
Pacific Gas & Electric	2.07	2.48	2.02	2.00	2.00	2.00	33¾	5.9	36 -31⅞
Philadelphia Electric	2.03	2.31	1.81	1.50	1.35	1.20	30	5.0	30¾-25⅝
Public Service Elec. & Gas	2.13	2.06	2.25	1.60	1.60	1.60	26⅜	6.0	26½-21½
Public Service of Indiana	2.06	2.54	2.48	1.80	1.75	1.20[2]	30¼	5.9	31¾-26¼
Southern California Edison	2.81	2.97	3.19	2.00	2.00	1.75	35	5.7	36⅜-32¼
Southern Company	1.03	1.06	1.28	.80	.80	.70	13⅝	5.8	13⅞-10⅞
Utah Power & Light	2.36	2.75	2.31	1.80	1.70	1.60	30¾	5.8	32 -26¼
Virginia Electric & Power	1.69	1.86	1.67	1.40[3]	1.20	1.20	23¾	5.9	24⅜-18¾

†—Based on 1951 dividend.
*—These earnings are in part company stated figures, and in part adjusted figures, according to changes in capitalization.

1—Excludes additional 1 million shares issued 12/28/51.
2—Plus stock.
3—Indicated rate.
4—8 months ended Dec. 31.

American Gas & Electric. Dynamic well-integrated holding company system, investment status. Management active in engineering research. Yield attractive if annual stock dividend continues.

Cincinnati Gas & Electric. Stable business, 99-year dividend record, yield fair; stock dividend paid in February. However, Ohio regulatory picture presents some uncertainties.

Cleveland Elec. Illum. Yield low, but dividend increase seems warranted. Company aggressively promoting industrial business. Dividends paid since 1899, utility equity ratio favorable.

Commonwealth Edison. Probably the utility stock most widely held by institutions. Yield adequate; pay-out high but earnings are expected to improve.

Consolidated Edison. Market interest aroused by forecast of imminent decision in electric rate case; increase (if granted) might permit dividend increase.

Consolidated Gas of Balt. Institutional type, sound equity with good record, but moderate yield and payout and price-earnings ratios rather high.

Dayton Power & Light. Good equity position and satisfactory yield and payout, but regulatory outlook subject to uncertainties if Ohio administration changes next fall.

Detroit Edison. Important old-line utility, price stable, excellent yield considering record, good equity ratio. Earnings expected to improve despite recent industrial irregularities.

Illinois Power. Company has had huge construction program for some years, with adverse effect on earnings; gradual improvement seems likely. Yield satisfactory.

Indianapolis P. & L. Earnings and dividends improved in postwar period. Low payout ratio suggests possible dividend increase, though earnings diluted by rights offering.

Middle South Utilities. Popular holding company, good equity ratio, excellent growth prospects. Dividend recently increased moderately, another increase in 1953 appears logical prospect.

Niagara Mohawk Power. Largest KWH sales, huge industrial business. Earnings trend highly favorable, almost offsetting dilution from sale of million shares in December.

Northern States Power. Large system in stable territory, little change in postwar earnings. Dividend secure and yield good, but prospects for increase doubtful.

Ohio Edison. Well-managed company with conservative set-up, residential rates below average. Earnings currently retarded by EPT. Yield satisfactory.

Pacific Gas & Electric. Earnings poor in recent years. Seems victim of "tough" state regulation. Huge construction program requires frequent stock issues.

Philadelphia Electric. Very sound old-line company with improving earnings and dividends. Should benefit from steel expansion in area. Yield on low side.

Public Service E. & G. Adverse regulation, confusing accounting and irregular earnings have handicapped stock market-wise. Yield very attractive considering fine growth of electric-gas business.

Public Service of Indiana. Good equity position. Earnings in down-trend past three years, but showing current gains and are adequate to protect dividend.

Southern California Edison. Earnings, dividends in uptrend since 1944. Low payout would permit dividend increase if company wishes stimulate conversion of preference stocks.

Southern Company. Dynamic growth system, handicapped in 1950-51 by prolonged drought; earnings now recovering very rapidly, might soon permit a dividend increase.

Utah Power & Light. A growth utility, ably managed, stock returns satisfactory yield. Area becoming more diversified with industrial load only 27% of revenues.

Virginia Elec. & Power. Record of share earnings rather unimpressive in postwar period, despite rapid growth of revenues. Yield satisfactory; current equity financing proposed.

1951 Key Statistics and Ratios

	American Gas & Elec.	Cincinnati Gas & Elec.	Cleveland Elec. Illum.	Common-wealth Edison	Consoli-dated Edison	Consoli-dated Elec. Lt. & Power of Balt.	Detroit Edison
PLANT VALUE (MILLIONS) GROSS	$795	$215	$292	$1,175	$1,549	270	560
Depreciation Reserve	167	50	80	291	296	55	112
Net Plant Account	628	165	212	884	1,253	215	448
Net Plant Account plus Estimated Working Capital	650	170	219	914	1,296	222	463
CAPITAL RATIOS							
Funded Debt to Total Capitalization	57%	41%	50%	49%	44%	55%	49%
Preferred Stock to Total Capitalization	10	17	11	6	13	12	......
Common Stock & Surplus to Total Capitalization	33	42	39	45	43	39	45
ANALYSIS OF REVENUES—Electricity %	100%	64%	96	88	77	74	97
Gas %	......	34	......	11	17	24	......
Miscellaneous %	......	2	4	1	6	2	3
INCOME ACCOUNT							
Gross Revenues (Millions)	$192	$77	$79	$281	$417	$83	$164
Operating Expenses (including purch. power or gas)	77	43	36	134	184	43	91
Maintenance	16	4	5	18	39	6	14
Depreciation	20	4	8	29	38	6	11
Taxes—Federal Income	23	10	9	27	37	9	10
Taxes—Other	16	5	7	34	65	7	14
Net Operating Income (after all taxes)	40	11	14	38	54	12	23
Gross Income	41	11	14	40	54	12	24
Fixed Charges, Etc.[3]	10	1	3	13	15	3	7
Net Income	24	10	11	26	39	9	15
EXPENSE RATIOS							
Ratio Depreciation to Gross Revenues	10%	6%	9%	10%	9%	7%	7%
Maintenance to Gross Revenues	8	6	6	6	9	7	8
Combined Deprec. & Maintenance to Gross Rev.	18	12	15	16	18	14	15
Operating Ratio (including taxes)	79	85	82	86	87	85	85
EARNINGS RATIOS							
No. of Times Fixed Charges Earned after Taxes[3]	3.9	8.0	4.4	3.0	3.5	3.7	3.4
ANALYSIS OF ELECTRIC REVENUES (% of Total)							
Residential & Rural	34%	31%	29%	30%	34%	32%	35%
Commercial	16	13	15	29	55[5]	29	28
Industrial	47	46	51[4]	28	....	32	30
Other	3	10	5[4]	13	11	7	7
COMMON STOCK—Recent Price	$60	$38	$52	$32	$35	$26	$23
Indicated Dividend Rate	$3.00[1]	$2.00[1]	$2.60	$1.80	$2.00	$1.40	1.40
Dividend Yield	5.0%[1]	5.2%[1]	5.0%	5.6%	5.7%	5.4%	6.1%
Earned per Share on Common Stock in 1951	$4.55	$2.89	$3.68	$1.93	$2.26	$1.67	1.68
Price-Earnings Ratio	13.2	13.1	14.1	16.5	15.5	15.5	13.7
Dividend Pay-out %	65%	69%	70%	93%	88%	84%	83%

1—Plus stock.
2—Includes Class "A" Common.
3—Includes interest on construction credit.
4—Industrial includes some commercial.
5—Combined Commercial and Industrial.
6—Excludes additional 1 million shares issued 12/28/51.

those investors who are in the top tax brackets. Of course "tax free" is not quite correct—such dividends are considered capital gains and the original cost of the stock is marked down on the owners' books, so that when he eventually sells it, he will probably then have to pay 26% on the former dividend income (rather than the high bracket tax he would pay on regular income). Operating companies in this class are understood to be Southwestern Public Service, Pacific Power & Light, Washington Water Power (to be distributed soon by American Power & Light), Central Hudson Gas & Electric, possibly Hartford Electric, etc. Two holding company stocks are considered tax-free due to anticipated realization of heavy losses on their books, due to their having purchased some of their holdings at inflated 1929 prices—United Corp. and Electric Bond & Share.

Relations With States Bettered

Getting back to the outlook for 1952: The utilities' relations with the state commisions have also improved considerably, despite difficulties in some of the New England states, in California, Illinois, etc. The attitude of the important New York State Commission is less harsh than it used to be, and several rate increases have been granted to companies in that state together with concessions with respect to accounting adjustments, etc.

The utilities are now getting into better position

of Important Electric Utility Companies

Illinois Power	Middle South Util.	Niagara Mohawk Power	Northern States Power	Ohio Edison	Pacific Gas & Elec.	Phila. Elec.	Public Service Elec. & Gas	Southern Calif. Edison	Southern Company	Virginia Electric & Power
224	425	652	344	336	1,542	639	643	645	666	293
25	66	199	65	65	301	120	159	119	101	34
199	359	453	279	271	1,241	519	484	526	565	259
206	371	468	288	281	1,284	537	501	544	585	268
50%	57%	51%	47%	49%	49%	46%	52%	49%	53%	51%
12	8	16	23	14	23	14	9	17	17	19
38	35	33[2]	30	37	28	40	39	34	30	30
76	76	87	89	98	68	86	74	100	99	96
22	16	13	9	......	31	12	26	......	......	4
2	8	......	2	2	1	2	......	......	1	......
$51	$112	$176	$88	$86	$279	$165	$201	$118	$151	$69
20	46	78	36	33	121	69	88	39	62	30
3	8	14	6	7	14	13	21	10	10	5
5	11	14	8	8	32	16	13	13	17	5
8	14	17	11	15	25	26	18	15	16	7
4	13	25	11	7	35	9	26	16	14	6
10	20	27	16	16	52	31	33	24	31	13
10	20	27	16	17	53	31	33	26	31	13
2	6	7	4	4	16	6	10	7	14	3
8	13	20	12	13	36	25	23	19	16	10
11%	9%	8%	9%	8%	11%	9%	7%	11%	9%	7%
6	7	8	6	7	5	8	10	7	6	8
17	16	16	15	15	16	17	17	18	15	15
79	82	84	82	81	81	81	83	79	79	82
4.1	3.1	3.9	3.9	4.4	3.3	4.9	3.1	3.8	2.1	4.3
40%	34%	28%	42%	33%	44%	31%	34%	43%	33%	41%
25	27	17	46[5]	22	22	23	28	20	25	32
27	27	43	....	39	25	34	34	25	32	16
8	12	12	12	6	9	12	4	12	10	11
$37	$23	$26	$11	$34	$33	$30	$26	$34	$13	$23
$2.20	1.30	$1.60	$.70	$2.00	$2.00	$1.50	$1.60	$2.00	$.80	$1.40
5.9%	5.6%	6.1%	5.8%	5.8%	6.0%	5.0%	6.1%	5.9%	6.1%	6.0%
$2.79	$1.81	$2.05[6]	$.85	$2.60	$2.07	$2.03	$2.13	$2.81	$1.03	$1.69
13.2	12.7	12.6	12.9	13.1	15.9	14.7	12.2	12.1	12.6	13.6
78%	72%	78%	82%	77%	96%	73%	75%	71%	77%	74%

to realize big economies in fuel consumption resulting from the installation of highly efficient generating units, which in some cases burn only a half or a third as much coal per KWH (the unit of output) as the old obsolete units. With generating capacity at the end of March up to 76.3 million KW, an increase of nearly 10% over last year, the utilities do not have to make as much use of obsolete plants as they had to last year (KWH output is currently running about 6 or 7% above last year). Moreover, rate increases are now in effect which were reflected (if at all) for only a few months of 1951. Usually about half of such increases can be carried down to net income, after adjustment for income taxes of 52%; the higher charges have little or no effect on the amount of electricity sold—unlike the increases in transit fares which frequently reduce the number of rides sharply.

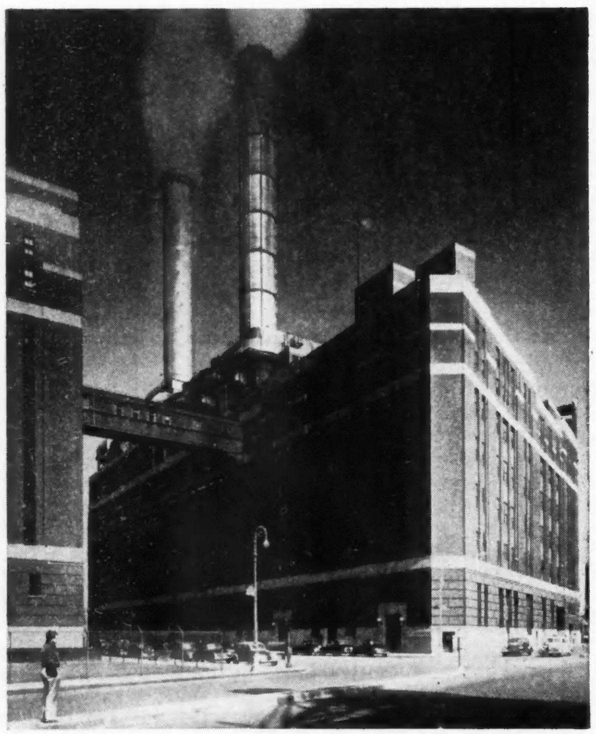
The utilities have been affected very little by the recent slowing down in certain industries such as textiles, or other industrial regularities due to labor disturbances. Their industrial sales are mostly on a very low-profit basis and hence irregularities in industrial sales have a comparatively small effect on net earnings. Of course a prolonged depression would affect residential and commercial sales also; but at present these sales are continuing to grow at an abnormal rate, residential sales in the month of February being nearly 12% over last year, although the number of residential customers gained less than 4%.

Perhaps the major factor affecting the earnings of individual utilities at present is the huge construction and financing program, which results in irregularities in reported share earnings. Thus when (as frequently happens) the outstanding common stock is suddenly increased by one-fifth or one-tenth, this automatically reduces share earnings by an equal proportion—although the dilution may be partially offset by the special account "interest on construction—credit", and later by the savings resulting from use of the new plant when it gets into service. Moreover, some companies cushion the shock to share earnings by using the device of *"average shares"*—share earnings on this basis are lowered more gently, since the number of shares will not fully reflect the increase until the end of 12 months. Other companies, however, stick to the old-fashioned method of basing share earnings on the *actual number* of shares outstanding, so that the varying methods are somewhat confusing to the investor.

Capacity Greatly Increased

Why do the utilities have to carry through the immense construction program now under way? Their last big building program was in the 1920s and this extended through 1930 or 31 at Hoover's request (as a means to stimulate employment). As a result, by 1932 the utilities had heavy excess capacity which enabled them to "coast" for at least five years. Some capacity was added in the late 1930s and more was needed after World War II began, but wartime shortages of materials and labor prevented any big building program in the early 1940s.

In the postwar period the utilities were amazed to find that business was increasing faster than ever, and around 1947 they were forced to begin the largest construction and finance program in their history. In order to service the defense program the utilities planned to increase the national power capacity from the present level around 76 million KW to about 102 million KW, which they hope to accomplish around the middle or end of 1955. This will represent more than twice the amount in service at the beginning of the postwar period. The size of this program is deemed necessary for these reasons:



(1) The utilities have been operating on a rather narrow margin of reserve capacity for some years, and while actual power shortages have been limited to small areas and short periods of time, nevertheless the utilities wish to have a larger reserve capacity, and to be able to service new industries coming into their areas.

(2) The utilities have had to retain in their operating set-up a rather large amount of obsolete equipment for use in emergencies and peak output periods. Some of these generators are 20 to 40 years old and burn 2 to 3 times as much coal per KW as an ultra-modern plant. Many of the old units should be scrapped, but this cannot be safely done until there is a larger over-all reserve.

(3) The demand for residential electricity has been stimulated both by the large amount of new housing and by the increased domestic use for all sorts of household appliances such as TV sets, air conditioning units, electric stoves and the various smaller gadgets such as toasters, radios, fans, etc. The yearly amount of electricity used by the average household is now nearly double that of a decade ago.

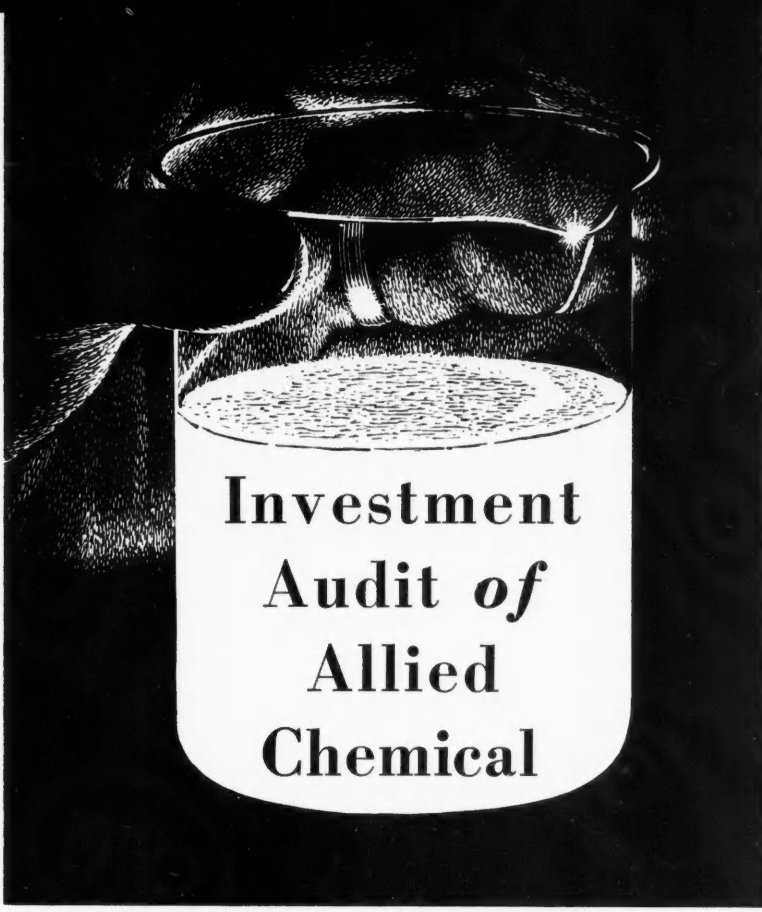
(4) There has also been a large increase due to the step-up in commercial and industrial demand. Commercial consumption is somewhat geared to residential. Industrial activity was first stimulated by the postwar demand for goods of all kinds, and later by the defense program, which is now just beginning to get into high gear.

(5) The Atomic Energy program, while it may eventually produce electricity as a by-product, is at present a very heavy consumer. Huge generating facilities are required to service the various atomic energy plants, particularly those in the Middle West. The so-called hydrogen bomb plant in South Carolina will also consume a large amount of power.

(6) The nation is rapidly stepping up its use of lighter metals such as aluminum, magnesium, etc. for use both in war and peace products. Most of these metals require large amounts of electric power for extraction and refining. The aluminum load has been a substantial factor in the increasing demand for electricity, particularly in the Pacific Northwest.

Equity Financing Phenomenal

The frequent equity financing now being done by the utilities is a post-war phenomenon. Whatever construction was done during the period 1933-45 was mainly financed so far as the equity portion was concerned) through retained earnings. Fortunately, the utility stocks have become increasingly popular with large investors such as institutions (now allowed somewhat greater leeway in purchasing common stocks), the rapidly growing mutual funds or open-end investment trusts, the many new pension funds, etc. This investment demand has been able to "mop up" the bulk of the new issues thus leaving the price level generally undisturbed, except in some individual cases where prices have receded temporarily after the announcement of "rights financing." (*Please turn to Page* 340)

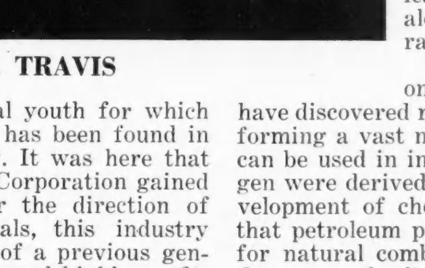


Investment Audit *of* Allied Chemical

By H. F. TRAVIS

The fountain of perpetual youth for which Ponce de Leon searched in vain has been found in the chemical research laboratory. It was here that staid old Allied Chemical & Dye Corporation gained new strength and vigor. Under the direction of younger and venturesome officials, this industry turned from outmoded practices of a previous generation to emphasis on synthetics and highly profitable specialties. Impetus for the rapid growth experienced in recent years came from spectacular developments in the second World War.

Curiously enough, the company's early success stemmed from research activities spurred by the first World War. Shortly after the outbreak of hostilities in Europe in 1914, dyes and other strategic chemicals manufactured in Germany became scarce and the American chemical industry was called upon to produce substitutes. The success achieved by the National Aniline & Chemical laboratories still is regarded as one of the major landmarks of the industry's development. Results were so satisfactory that domestic dyestuffs supplanted foreign products in the textile industry. Rapid growth of chemical producers immediately after the armistice in 1918 led to the organization of Allied Chemical & Dye Corporation in 1920, with National Aniline forming an important unit.



In the succeeding two decades the company rose to leadership in the production of heavy chemicals. Output included virtually all basic chemicals regarded as indispensable. Customers consisted chiefly of other chemical companies who processed the raw materials into plastics, building materials, pharmaceuticals, anti-freeze compounds and numerous other so-called "end products" commanding wide profit margins. The realization of younger and more aggressive officials in recent years that Allied well might enlarge its capacity and strengthen its competitive position by converting its own raw materials into "end products" led to a broadening of operations in the last five or six years.

Although an outline of the company's extensive products probably would be confusing to the layman, a brief description is important to appreciate the progress achieved. Accordingly it may be well to study some of the fundamental characteristics of commercial chemical operations. Chemicals are divided into organic and inorganic classifications. Allied Chemical from its inception had concentrated on "basic" or pure inorganic materials, such as sulphur, coal, tar, alkalies, limestone, etc. Progress in synthetics led the company to diversify operations in organic chemicals, including petroleum derivatives, alcohols, plastics, synthetic fibres and raw materials for anti-biotic drugs.

Organic chemistry is based chiefly on the carbon atom which scientists have discovered readily unites with other elements in forming a vast number of desirable products which can be used in industry. At first carbon and hydrogen were derived chiefly from coal and water in development of chemicals. Later chemists discovered that petroleum provided a more satisfactory source for natural combinations of hydrogen and carbon. Oxygen and nitrogen obtainable from the atmosphere were drawn upon to form synthetic organic chemicals of many varieties. Research made possible the replacement of many natural chemical products with synthetic materials and brought to light completely new materials—such as synthetic rubber, many kinds of synthetic textiles and scores of plastics or combinations of plastics and man-made rubber.

Emphasis on Synthetic Materials

The rapid strides of the chemical industry, as well as the financial progress of representative producers, may be traced to concentration on synthetic materials produced at relatively low cost. Allied Chemicals began to extend operations into more rapidly growing lines during the recent war and gives promise of placing increasing emphasis on organic chemicals. As an example, the company has become an important producer of detergents sold to bulk users and

Comparative Balance Sheet Items

ASSETS	December 31 1942	1951 (000 omitted)	Change
Cash	$ 43,242	$ 43,713	+$ 471
Marketable Securities	76,923	82,678	+ 5,755
Receivables, Net	19,181	41,821	+ 22,640
Inventories	26,804	52,522	+ 25,718
TOTAL CURRENT ASSETS	166,150	220,734	+ 54,584
Gross Property	265,136	470,958	+ 205,822
Investments	6,263	1,146	— 5,117
Intangibles	21,306	21,306	....
Other Assets	2,036	4,285	+ 2,249
TOTAL ASSETS	$460,891	$718,429	+$257,538
LIABILITIES			
Accounts Payable	$ 6,852	$ 17,260	+$ 10,408
Accruals	1,357	2,858	+ 1,501
Tax Accruals	28,397	72,753	+ 44,356
TOTAL CURRENT LIABILITIES	36,606	92,871	+ 56,265
Reserve for Depreciation	181,502	282,065	+ 100,563
Other Reserves	61,959	71,705	+ 9,746
Common Stock	12,006	44,282	+ 32,276
Surplus	168,818	227,506	+ 58,688
TOTAL LIABILITIES	$460,891	$718,429	+$257,538
WORKING CAPITAL	$129,544	$127,863	—$ 1,681
CURRENT RATIO	4.5	2.4	— 2.1

distributors. Expansion plans calling for substantial expenditures in the next year or two are designed to strengthen the company's position in new chemical products.

Meantime, older products are not being neglected. These include sulphuric acids, alkalis such as soda ash and caustic soda, nitrogen compounds and chemicals derived from by-product coke ovens as well as from distillation of coal tar. Here are four groups of basic chemicals in which Allied holds a dominant position as a producer. Sulphuric acid is one of the most widely used and the most essential industrial chemical. Consumption has steadily grown in the last decade or two in reflection industrial expansion as well as the rise in population. Alkalis, including chlorine, a by-product obtained in making soda ash and caustic soda, are almost as essential in the chemical industry as sulphuric acid.

Examining more closely Allied's varied products, so as to obtain a better idea of the industries served and to appreciate the significance of the original consolidation of seemingly unrelated activities, we find that the company has five operating divisions which came into the merger as five separate companies. Probably the largest of these is the Barrett Company, now known as the Barrett division, which produces tar products, including shingles and roofings, road materials, anhydrous ammonia and numerous synthetic chemicals applicable to the production of organic chemicals. Substantial growth is foreseen for this division.

The General Chemical division produces a diversified line of acids, including sulphuric, nitric, muriatic and hydrofluric; ammonia and potash; photographic chemicals as well as other so-called fine chemicals and a variety of agricultural chemicals, such as insecticides, fungicides and weed killers. Many of these products appear to have interesting growth potentialities.

The National Aniline division contributes dyestuffs for the textile industry, colors for foods, intermediate chemicals suitable for further development in chemical products, synthetic detergents and pharmaceutical lines going into medicinal products. Here also are to be found promising growth potentialities.

The Semet-Solvay division is engaged in constructing coke ovens for others—primarily in the steel industry—as well as in operating its own ovens to produce raw materials such as coke, ammonia, light oils and tar products used in other divisions of the company for processing into chemicals. In the last few years the construction of by-product coke ovens for major steel mills has proved a highly important activity. This division is somewhat more cyclical than the others.

Important Products Produced

The Solvay Process division produces alkalies, one of the best known basis chemicals. Soda ash is understood to be the principal product. Other items include caustic soda, chlorine, detergents, methanol and formaldehyde as well as nitrogen products. Output serves a wide variety of consumers, including the glass industry, textiles, pulp and paper producers,

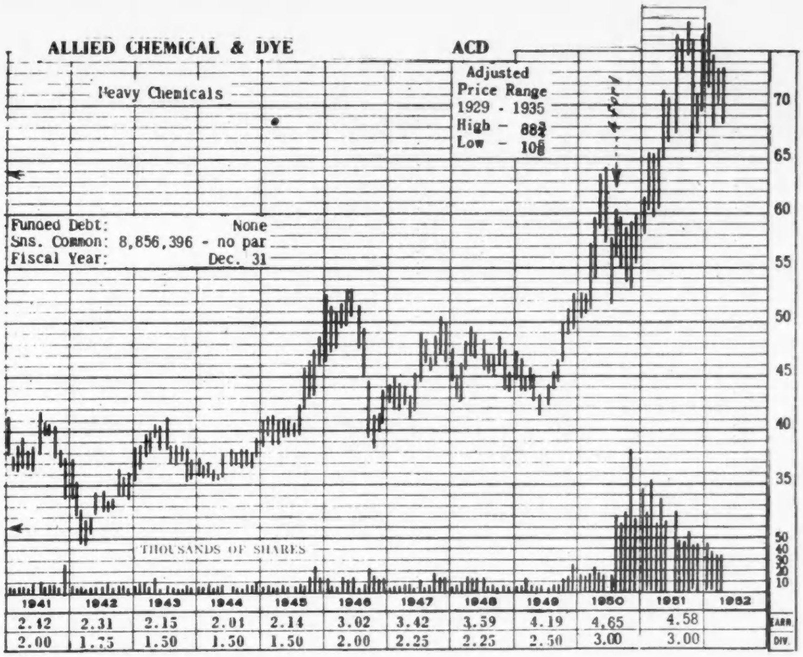
Long Term Operating and Earnings Record

	Sales & Operating Revenue (Millions)	Operating Income (Millions)	Operating Margin	Taxes (Millions)	Net Income (Millions)	Net Profit Margin	Net Per Share	Div. Per Share	Percent Earned on Invested Capital	Price Range
1951	$502.0	$107.1	21.3%	$66.1	$40.5	8.0%	$ 4.58	$ 3.00	14.8%	77⅞-58 [1]
1950	408.0	73.2	17.9	34.9	41.2	10.1	4.65	3.00	15.9	64⅛-50⅛
1949	363.7	59.3	16.3	24.4	37.1	10.2	4.19	2.50	15.2	52½-41¼
1948	387.7	53.4	13.7	24.2	31.7	8.1	3.59	2.25	13.9	49½-42¾
1947	365.9	53.3	14.5	24.2	30.3	8.2	3.42	2.25	14.0	50½-41
1946	280.4	41.6	14.8	17.1	26.7	9.5	3.01	2.00	12.9	53 -38½
1945	286.7	29.6	10.3	13.1	18.9	6.6	2.13	1.50	9.6	48½-38¼
1944	294.7	39.2	13.3	21.5	18.0	6.1	2.03	1.50	9.4	39¼-35¼
1943	303.7	41.0	13.5	21.1	19.0	6.2	2.14	1.50	10.1	41¼-35⅛
1942	259.5	45.9	17.7	24.9	20.4	7.8	2.31	1.75	11.3	37¼-29⅝
10 Year Average, 1942-1951	$345.2	$ 54.3	15.3%	$27.1	$28.3	8.0%	$ 3.20	$ 2.12	12.7%	77⅞-29⅝

[1]—To May 27, 1952.

soap makers, manufacturers of baking powders, carbonated beverages, leather goods, fertilizers, dyestuffs and other products.

Although the company has gone a long way in disclosing significant facts relating to its operations, detailed figures on shipments of individual divisions have not been divulged. The relative importance of many products has been shown, however, in a listing of principal items according to their importance on the basis of sales value. The several products are: ammonia and other nitrogen products, alkalies and chlorine, acids and other heavy industrial chemicals, coal-tar intermediates, roofing and building products, coke, coal and by-products, dyes, insecticides, laboratory and reagent chemicals, road materials, coke oven and other construction jobs.



In noting the wide variety of products turned out by the company's several divisions one is impressed with the high degree of diversification afforded and by the interesting growth potentialities in several of the newer lines. It is readily understandable from this brief description of the company's operations why sales have mounted steadily and why earnings have recorded consistent gains. Accompanying statistics illustrate the financial progress achieved in reflecting the industry's rapid strides, while the chart shows how investors have raised their appraisal of the company's earning power and future prospects. Popularity has become increasingly evident since management approved the four-for-one stock split two years ago. This move in itself testified to a significant change in management policies. Actions taken to cultivate good will of investors have contributed to broader distribution of the company's stock and have strengthened the conviction that the shares may be less fully exploited than several other chemical issues.

Stockholders' Reports Improved

Another indication of the company's change in attitude toward the investing public has manifested itself in the annual reports of recent years. Whereas until the last few years the published statements were exceptionally scanty and uninformative, now the reports are much like those of other major companies. Management includes in the 1951 pamphlet the list of marketable securities listed on the New York Stock Exchange. Until a few years ago these investments were a closely guarded secret. It may be worth noting that the holdings of eight industrial stocks, carried on the company's books at $30 million, had a market value at the end of 1951 of $76 million.

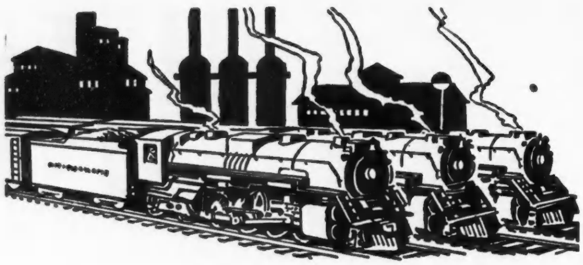
Including United States government securities amounting to $52.6 million, the investment portfolio was worth almost $128.7 million, or $14.50 a share at the beginning of 1952. The corporate holdings, little changed in 1951, consist of 342,300 shares of United States Steel, 208,309 shares of Owens-Illinois Glass, 334,000 shares of American Viscose common and 4,700 preferred, 94,200 shares of American Natural Gas, 268,000 shares of Air Reduction, 43,502 shares of Virginia-Carolina Chemical preferred and 61,426 shares of Libbey-Owens-Ford Glass. Dividends on these holdings provided a fairly substantial income.

It is interesting to observe that in the company's extensive expansion in recent years it has not been necessary to use these investments to finance construction of additions. These marketable securities were acquired many years ago as the nucleus of a reserve fund that might be drawn upon in a business recession or, if needed, to provide funds for improvement and enlargement of facilities.

Evidence of the company's strong financial position was provided by the ability to finance a sizeable expansion out of retained earnings. Gross additions to property account last year approximated $45.2 million, almost twice the amount spent in 1950. Even larger expenditures have been projected for this year if the necessary materials are available. The total may reach $70 million or more. The company pointed out that about 40 per cent of property expenditures last year were for replacements. Steps were taken to make the company less dependent on natural sulphur for its acid requirements through installation of pyrites ore burning facilities of improved design at the sulphuric acide plants at Marcus Hook and Newell, Pennsylvania. Installation of modern equipment to replace part of the Solvay Process alkali plant in Syracuse was designed to obtain increased output at lower labor cost.

Potentialities in New Products

Vigorous expansion of productive facilities is typical of the chemical industry, for growth still is as pronounced as ever in spite of rapid gains in the last dozen years, Among the reasons for optimism over future progress the promising potentialities of new products are readily apparent. Presumably the surface has been barely scratcher in synthetic fibres, in agricultural chemicals and in a variety of petrochemicals. Low labor (*Please turn to page* 350)



★ FIVE ★ Outstanding RAILROAD STOCKS

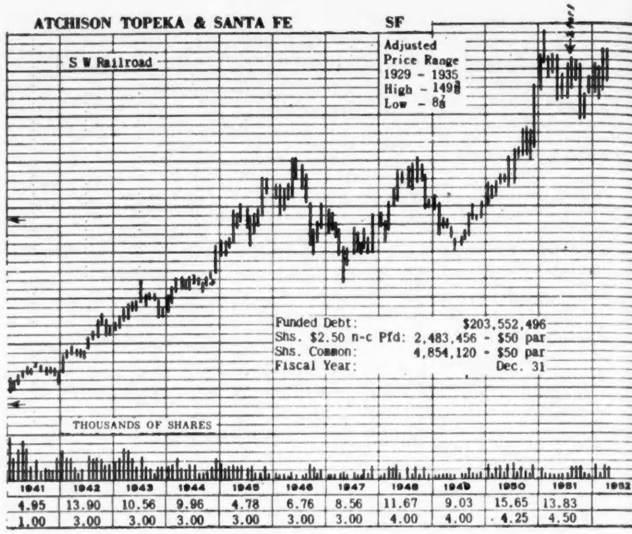
By OUR STAFF

The persistent strength of the railroad group in recent months, has been due to belated public appreciation of the fundamental improvement in the position of the leading carriers since the end of the war. Progress has been made in various directions, among the most important having been the reduction in funded debt, with a consequent reduction in fixed charges, and improvement in physical plant, due to heavy expenditures mainly from retained earnings. The growing emphasis on industrialization in many of the regions through which the roads move is also a helpful factor.

As a result of fundamental changes in the distribution of traffic, operating ratios have improved considerably. This has shown up effectively in earnings. Consequently, better support has been found for dividends which, in many cases in recent years, have been increased. With the labor situation resolved as a result of the conclusion of the three-year old negotiations, a period of tranquillity in labor relations may be anticipated. While costs of operation have increased, new freight rate increases are tending to offset this factor.

In order to be of service to our readers, we have selected for comment five of what we consider among the strongest of the railroad issues. These have been selected on the basis of a fundamentally strong earnings and financial position which, in turn, gives a favorable cast to the outlook for dividends. In all five, earnings are considerably above current dividend rates.

It is only proper to observe, however, that in common with the railroad group, as a whole, these five stocks have had considerable advances so that opportunities for appreciation are consequently more limited than they were formerly. In view of the recent advance in the group, as a whole, it might be good policy to await a reaction from this point at which to acquire these issues at more favorable levels. In any case, readers should consult A. T. Miller's article, appearing in each issue, for general advice as to market conditions.



ATCHISON, TOPEKA & SANTA FE RAILWAY CO.

AREA SERVED: Through a sprawling network of 13 thousand miles of track the Santa Fe system, extending westward from Chicago to California's Pacific coast, serves great agricultural and cattle areas, rich oil and mineral fields, and rapidly growing industrial centers of the west and southwest.

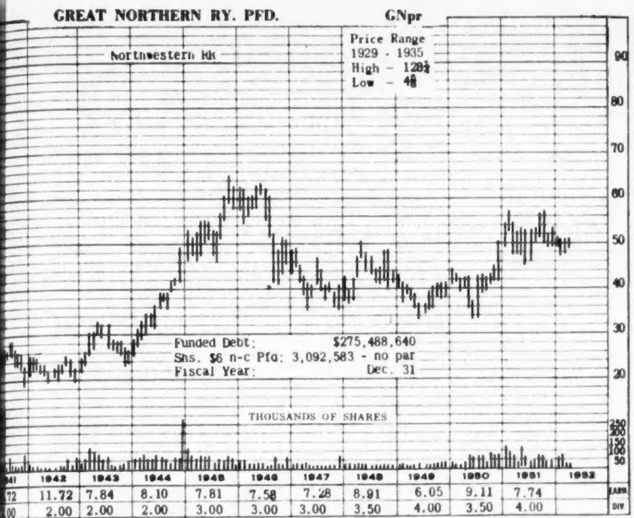
TRAFFIC AND EARNINGS: The system carries a tremendous tonnage of freight moving in both directions. This tonnage is well diversified, being made up by about 20% agriculture products, 19% of mine products, and products of various manufacture and miscellaneous which in the aggregate represents about 50% of the total, and the remainder being accounted for by shipments of animal products, and forest products. Freight revenue of $466.2 million in 1951, an all-time peak, was equal to 81.7% of total operating revenue, and represented an increase of $44 million over 1950 freight revenue of $422 million which was 80.8% of all operating revenue. The transportation ratio of 33.3% for 1951 was higher than that for 1950 of 30.2%, but an improvement in this ratio would have been recorded, no doubt, had certain rate increases granted the road been in effect over the entire year. A factor of prime importance in producing imporved operating revenue is the road's broad dieselization program which in 1951 provided for the addition of fourteen locomotives by conversion of four-unit power plants to three—, two—, and one-unit locomotives and by the acquisition of 115 new locomotives, which will be augmented by additional diesels scheduled for 1952 delivery. In 1951, Atchison earned $13.83 a share for the common stock, compared with $15.61 a share in 1950. The road for the first quarter of 1952 continues to experience gains in operating revenues which rose to $143.4 million, compared with $136.4 million in the same period of last year. Despite new net additions to equipment during 1951 of $50.4 million, Atchison incurred no additional obligations either in equipment trust notes nor funded debt, but on the contrary reduced its indebtedness by $6 million.

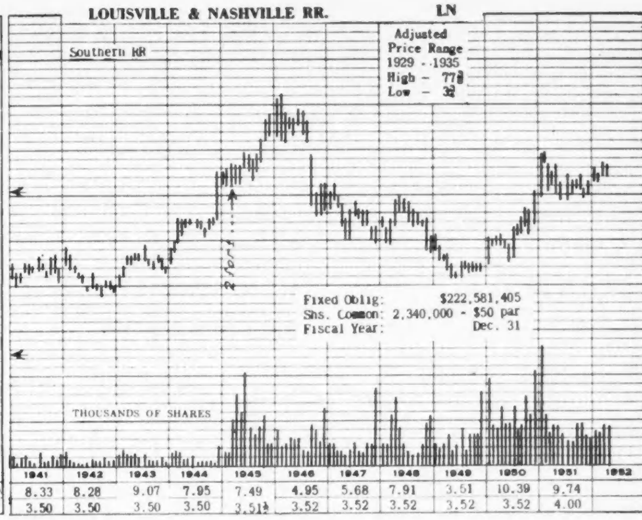
DIVIDENDS: Payments at the rate of $1.00 quarterly are being made on the common stock which was split 2-for-1 in 1951.

MARKET ACTION: Recent price of 82, compares with a 1951-52 price range of High—89⅞, Low—68¾. At current price the yield is 4.9%.

COMPARATIVE BALANCE SHEET ITEMS
December 31

	1945	1951 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 157,608	$ 126,683	—$ 30,925
Receivables, Net	42,362	48,675	+ 6,313
Materials & Supplies	39,289	61,548	+ 22,259
TOTAL CURRENT ASSETS	239,259	236,906	— 2,353
Road & Equipment	1,305,416	1,558,616	+ 253,200
Accrued Deprec. & Amort.	(rc)366,547	(cr)450,103	+ 83,556
Investments	40,627	39,302	— 1,325
Other Assets	28,080	23,555	— 4,525
TOTAL ASSETS	$1,246,835	$1,408,276	+$161,441
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 130,920	$ 115,373	—$ 15,547
Other Liabilities	2,588	2,757	+ 169
Unadjusted Credits	10,014	10,116	+ 102
Long Term Debt	230,576	203,552	— 27,024
Preferred Stock	124,173	124,173	....
Common Stock	243,424	243,424	....
Surplus	505,140	708,881	+ 203,741
TOTAL LIABILITIES	$1,246,835	$1,408,276	+$161,441
WORKING CAPITAL	$ 108,339	$ 121,533	+$ 13,194
CURRENT RATIO	1.8	2.0	+ .2





GREAT NORTHERN RAILWAY CO.

AREA SERVED: Lines of Great Northern run from Duluth and Minneapolis to Portland, Seattle, and Vancouver, B.C., on the Pacific coast. Through joint control of the Burlington has entry into Chicago and access to St. Louis, New Orleans and other important points.

TRAFFIC AND EARNINGS: Iron ore from the Mesabi, wheat from the Red River Valley as well as other wheat growing areas, and petroleum and its products, constitute the principal freight commodities hauled by Great Northern. Other sizable tonnage is made up by products of agriculture other than wheat, lumber, and soft coal. Haulage of these commodities produced operating revenue in 1951 of $215 million, or 86.7% of total revenue which amounted to $248 million. This compares with freight revenue in 1950 of $195.5 million, or 85.9% of all revenue. While 1951 revenue of $248 million established a record high figure, greater costs for wages and materials offset any comparable gain in earnings that would have been possible but nevertheless the company was able to show an operating ratio of 74.1%, which while higher than the 71.26% for 1950, is below that of 76.30 shown for 1949. The effect of these higher costs was, of course, carried down to net earnings which in 1951 were equal to $7.93 a share for the preferred stock, compared with $9.11 a share realized in 1950. The territory served by Great Northern is undergoing substantial industrial expansion and, at the same time, work is progressing on a number of power and irrigation projects which are expected to add materially to the importance of a number of areas from the standpoint of agriculture and industrial activity. Meanwhile, Great Northern proceeds with its dieselization program, adding in 1951 44 new engines and units to its fleet with 43 more units scheduled for 1952 delivery. During 1951, the company reduced funded debt by $10.1 million, and at the end of the year disclosed a strong financial position, having net working capital of $44.2 million.

DIVIDENDS: Quarterly dividends of $1.00 a share are being paid at the present time, thus continuing the annual rate set in 1951, compared with the 1950 rate of $3.50.

MARKET ACTION: Recent price of 51⅞, compares with a 1951-52 price range of High—57¾, Low—45¾. At current price the yield is 7.7%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1945	1951 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 49,579	$ 61,669	+$ 12,090
Receivables, Net	24,663	16,917	— 7,746
Materials & Supplies	19,337	30,286	+ 10,949
TOTAL CURRENT ASSETS	93,579	108,872	+ 15,293
Road and Equipment	626,382	741,189	+ 114,807
Accrued Deprec. & Amort.	(cr)136,831	(cr)170,628	+ 33,797
Investments	181,149	193,372	+ 12,223
Other Assets	20,584	24,197	+ 3,613
TOTAL ASSETS	$ 784,863	$ 897,003	+$112,140
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 42,792	$ 64,650	+$ 21,858
Other Liabilities	396	366	— 030
Unadjusted Credits	14,330	4,681	— 9,649
Long Term Debt	247,930	275,489	+ 27,559
Capital Stock	272,838	269,927	— 2,911
Surplus	206,577	281,890	+ 75,313
TOTAL LIABILITIES	$ 784,863	$ 897,003	+$112,140
WORKING CAPITAL	$ 50,787	$ 44,222	—$ 6,565
CURRENT RATIO	2.1	1.6	— .5

LOUISVILLE & NASHVILLE RAILROAD CO.

AREA SERVED: Main line of the company serves important and growing commercial and industrial centers throughout the middle South. Company's strength is augmented by its lines extending to Memphis and St. Louis, and those penetrating into Georgia, terminating at Atlanta.

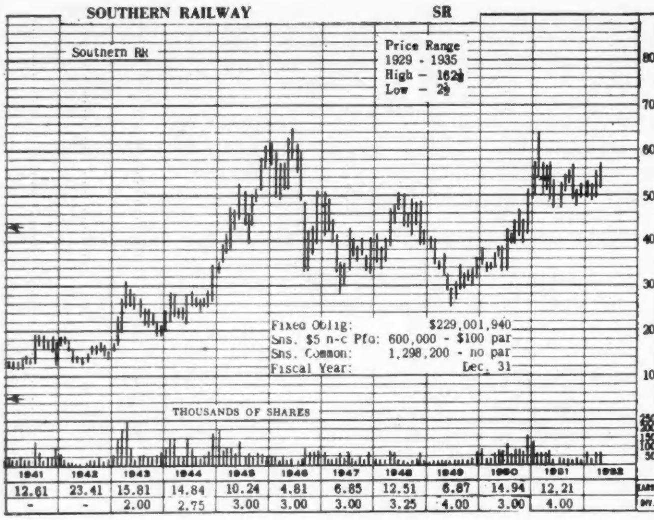
TRAFFIC AND EARNINGS: Bituminous coal accounts for about 47% of freight traffic, nearly all of which originates in the road's territory for long haul. The balance of freight traffic is well diversified, consisting of mine products other than coal, products of agriculture, lumber and related products, and manufactured goods, the latter classifiication constituting the second largest freight source. Freight movements over the lines in 1951, accounted for $197.3 million, or 87.1% of total revenue, compared with the 1950 figure of $176.2 million, or 86.6% of revenue. During 1951 transportation ratio, for the fourth consecutive year, showed a further decline to 36.6%, although operating ratio of 76.8% for 1951 was up from 74.2% shown for 1950, and comparing with an operating ratio in 1949 of 84.3%. Much of this improvement reflects the gain in operating efficiency reducing cost of freight hauled through increased use of diesel engines, 116 of which were put into operation in 1951, with 39 additional engines scheduled for 1952 delivery. Operating benefits from these installations should be reflected in 1952 earnings which should parallel, if not exceed, the $9.74 earned for the common shares in 1951. In carrying out its dieselization program, as well as that for improved equipment and roadway facilities, the road has added substantially to its equipment obligations, but found no necessity for increasing its funded debt on which it has no impotrant maturities until 1955, and none thereafter until 1963. The company is in a strong financial position, having net working capital of $38.6 million, and well able to continue common dividends at the current rate.

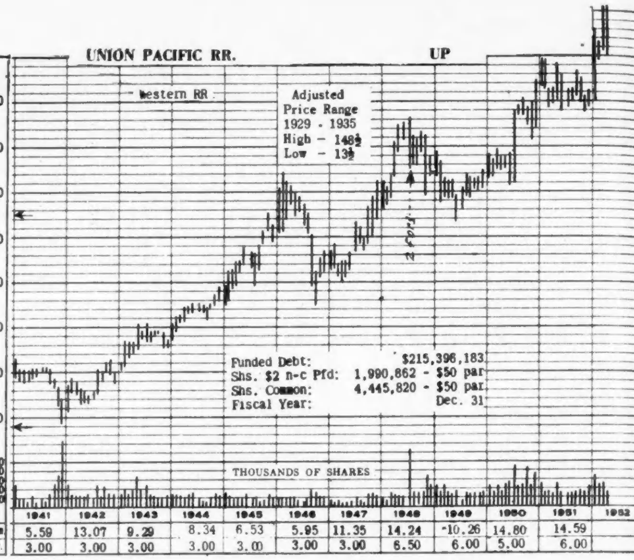
DIVIDENDS: Quarterly payments of $1.00 a share have been maintained since 1950, having been increased from $3.52 annually paid in 1945.

MARKET ACTION: Recent price of 56, compares with a 1951-52 price range of High—59½, Low—48½. At current price the yield is 7.1%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1945	1951 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 53,338	$ 31,499	—$ 21,839
Receivables, Net	33,146	31,371	— 1,775
Materials & Supplies	12,462	18,575	+ 6,113
TOTAL CURRENT ASSETS	98,946	81,445	— 17,501
Road & Equipment	486,377	588,259	+ 101,882
Accrued Deprec. & Amort.	(cr)149,081	(cr)166,483	+ 17,402
Other Investments	29,489	63,003	+ 33,514
Other Assets	7,152	7,025	— 127
TOTAL ASSETS	$ 472,883	$ 573,249	+$100,366
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 50,474	$ 42,758	—$ 7,716
Other Liabilities	3,756	3,220	— 536
Unadjusted Credits	11,427	6,519	— 4,908
Long Term Debt	173,680	238,754	+ 65,074
Capital Stock	117,000	117,000	....
Surplus	116,546	164,998	+ 48,452
TOTAL LIABILITIES	$ 472,883	$ 573,249	+$100,366
WORKING CAPITAL	$ 48,472	$ 38,687	—$ 9,785
CURRENT RATIO	1.9	1.9	....





SOUTHERN RAILWAY COMPANY

AREA SERVED: Operating a comparatively far-flung rail system, Southern traverses all of the southern states east of the Mississippi, from St. Louis in the west to important points along the Atlantic seaboard, and northward from Jacksonville and New Orleans to Cincinnati and the District of Columbia.

TRAFFIC AND EARNINGS: Measured by tonnage, bituminous coal constitutes the largest freight commodity. This is followed by other mine products, lumber and wood products, iron and steel, and an increasingly greater tonnage of products of manufacture and miscellaneous, the latter growing with the increasing industrialization of the territory served. This growth is sharply mirrored by the road's 1951 earnings report showing freight revenue at a record figure of $221 million, or 84.7% of total revenue, and compares with 1950 freight revenue of $201 million, equal to 84.1% of the total. Southern always has shown a relative low transportation ratio, that for 1951 being 34.4% compared with 34.1% in 1950. Operating ratio for 1951 of 72.9%, was up slightly from 70.2% in 1950, but still considerably under the 1949 ratio of 78.2%. The slight rise in 1951 reflects higher maintenance costs which should be greatly offset as the road begins to fully benefit from the use of diesel power units, 97 of which were put into service in 1951, with 52 more scheduled for early 1952 delivery. The road, in connection with its dieselization and improvement program, increased equipment trust obligations by $19 million in 1951, and at the same time reduced funded debt by $17 million. The only near-term maturity is that of $11.4 million in bonds of a terminal subsidiary coming due in July, 1953. The company's 1952 first quarter shows a continuation of the uptrend in both freight revenue and net earnings, the latter being equal to $2.94 a common share compared with $2.68 for the first quarter of 1951, in which year $12.21 a share was earned for the common against $14.94 in 1950. The financial position of the company is sound, net current assets amounting to $28.7 million.

DIVIDENDS: Quarterly payments of $1.00 a share are being made on the common, this rate being increased from 75 cents a share in the latter part of 1950.

MARKET ACTION: Recent price of 57½, compares with a 1951-52 price range of High—64, Low—46¾. At current price the yield is 6.9%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1945	1951 (000 omitted)	Change
ASSETS			
Cash & Markeatble Securities	$ 90,330	$ 55,959	—$ 34,371
Receivables, Net	19,409	23,238	+ 3,829
Materials & Supplies	13,689	20,512	+ 6,823
TOTAL CURRENT ASSETS	123,428	99,709	— 23,719
Road & Equipment	570,250	675,684	+ 105,434
Investments	55,983	81,218	+ 25,235
Accrued Depreciation & Amort.	(cr)90,577	(cr)111,234	+ 20,657
Other Assets	9,737	5,536	— 4,201
TOTAL ASSETS	$ 668,821	$ 750,913	+$ 82,092
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 74,256	$ 75,853	+$ 1,597
Other Liabilities	4,150	7,689	+ 3,539
Unadjusted Credits	17,252	14,382	— 2,870
Long Term Debt	221,358	256,313	+ 34,955
Preferred Stock	60,000	60,000	....
Common Stock	129,820	129,820	....
Surplus	161,985	206,856	+ 44,871
TOTAL LIABILITIES	$ 668,821	$ 750,913	+$ 82,092
WORKING CAPITAL	$. 49,172	$ 23,856	—$ 25,316
CURRENT RATIO	1.7	1.2	— .5

UNION PACIFIC RAILROAD COMPANY

AREA SERVED: The rail system of Union Pacific, comprising 9,866 miles of road, extends from the Missouri River through Kansas and Nebraska to Seattle on the north with another segment running southward through Utah and terminating at Los Angeles.

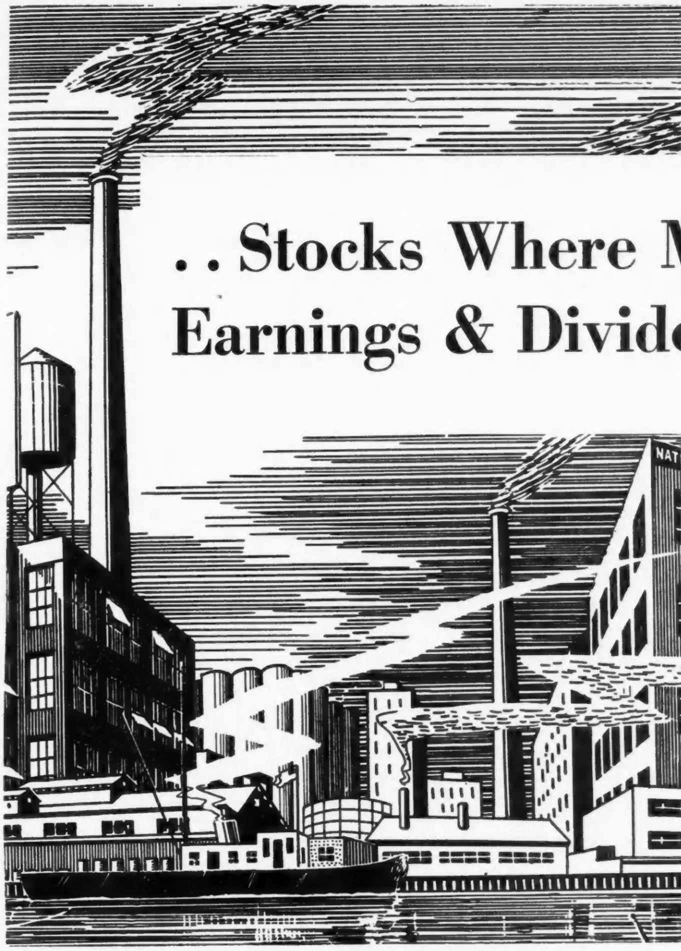
TRAFFIC AND EARNINGS: Freight carried over the company's lines is exceptionally well balanced from standpoint of classification. Bituminous coal and iron ore make up two of the largest commodities in the products of mines group which represents about 30% of all freight. Among products of agriculture which makes up about 24% of all freight, wheat, corn citrus fruits and fresh vegetables lead the list, and equally important are products of manufacture and miscellaneous that in the aggregate contribute about 31% of total freight. Aside from its strong position as a carrier, the company has developed into an important oil and gas producer, controlling substantial acreages in various fields, including the Wilmington in Southern California. Net income in 1951 from these sources amounted to $31.4 million. Rail operations in 1951 produced freight revenue of $428.5 million which was 84.7% of total operating revenue. Freight revenue in 1950 of $389 million accounted for 83.6% of total operating revenue. In keeping with the times the road experienced a rise in maintenance costs. This had an effect upon operating ratio which for 1951 was up 3.90% from 70.42% in 1950, with the result that 1951 net income from transportation operations fell off by $8.8 million to $35.6 million compared with 1950 results. Income from other sources, including that from oil and gas operations, brought net income to a total of 68.8 million, compared with $69.9 million for 1950, which on a per share basis for the common stock was equal to $14.60 and $14.85 respectively. The road added 29 diesel engines of various types to its diesel fleet in 1951 and 30 additional units have been ordered. A reduction of close to $11 million was made in the funded debt last year. It has no near-term bonded indebtedness maturing, and is in a strong financial position.

DIVIDENDS: Quarterly payments of $1.25 a share are being made, thus continuing the rate maintained throughout 1951, when $1.00 extra was also distributed.

MARKET ACTION: Recent price of 114, compares with a 1951-52 price range of High—121½, Low—97¾. At current price the yield is 4.4%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1945	1951 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 284,383	$ 97,485	—$186,898
Receivables, Net	55,944	61,588	+ 5,644
Materials & Supplies	34,734	57,830	+ 23,096
TOTAL CURRENT ASSETS	375,060	216,903	— 158,157
Road & Equipment	1,014,938	1,228,086	+ 213,148
Accrued Deprec. & Amort.	(cr)237,244	(cr)273,209	+ 35,965
Investments	81,981	78,825	— 3,156
Other Assets	52,382	21,118	— 31,264
TOTAL ASSETS	1,287,117	$1,271,723	—$ 15,394
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 136,427	$ 124,665	—$ 11,762
Other Liabilities	717	7,788	+ 7,071
Unadjusted Credits	51,276	5,095	— 46,181
Reserves	7,522	19,980	+ 12,458
Long Term Debt	366,315	204,454	— 161,861
Preferred Stock	99,543	99,543	......
Common Stock	222,351	222,291	— 060
Due to Affiliated Cos.	5,414	8,080	+ 2,666
Surplus	397,552	579,827	+ 182,275
TOTAL LIABILITIES	$1,287,117	$1,271,723	—$ 15,394
WORKING CAPITAL	$ 238,633	$ 92,238	—$146,395
CURRENT RATIO	2.7	1.7	— 1.0



..Stocks Where Margin Between.. Earnings & Dividends is Narrowing

By J. C. CLIFFORD

Since the beginning of the year, over 100 corporations have reduced their dividends. All have had to succumb finally to the stress of declining profits, and have acted on the assumption that the outlook for earnings did not warrant continuation of the old rate of dividend payment.

Dividend casualities were comparatively infrequent in 1951 but have become more familiar phenomenon in recent months though there has by no means been an epidemic of them. However, it is probable that by the end of the year a considerable number of companies will also have reduced their dividends.

Thus far reductions have been limited, for the most part, either to companies in the depressed or semi-depressed industries, such as textiles, leather, movies and very likely soon the sugars, whose recent earnings have been far below normal; or, to companies in miscellaneous industries whose profits for many different reasons have slumped below a point of safety so far as continuation of high dividends is concerned.

Investors Reviewing Holdings

With a fairly general trend toward dividend reductions in the lesser companies, investors now find it more necessary than ever to review their holdings. Otherwise, they risk maintenance of positions in stocks whose dividend coverage is less than ample.

Before the investor becomes unduly concerned about prospects for dividends in general, however, it should be said that the bulk of the stronger companies have little reason to anticipate the necessity of cutting their regular dividend rates for the foreseeable future. First, these dividends are comparatively conservative and earned by a satisfactory margin. Secondly, the financial strength of such companies is more than sufficient to warrant continuation of dividends at present rates, even if earnings should decline moderately.

Secondaries Should Be Checked

The investor's present concern need not be with companies of this standing, but, rather, with that group whose earnings have been falling more or less steadily for the past year and whose dividends are now being covered by slim margins. This group is to be found among the secondary and "marginal" companies which by this time have become vulnerable to the oppressing combination of high operating costs, falling sales and high taxes.

As a result of this combination of factors, companies in the marginal class have been losing financial liquidity at a rapid rate. Under the impact of these conditions, corporate managements have no other recourse but to lower dividends if they feel that a turn for the better in earnings is not in sight. Faced with the dilemma of continuing a rate of dividend that cannot be justified by current earnings, and between retaining adequate cash reserves, most prudent managements will decide in favor of the latter.

High Yields To Be Noted

The classic sign of an insecure dividend rate is the persistence of a high yield over a considerable period. This is the warning that careful investors should not ignore. The current norm of yield for established dividends is about 4-5½% for the higher grade stocks and 5½%-7% for those of lesser, but good grade, issues. As a rule, anything above such rates constitutes a risk, especially when the yields

approach the 8-10% level. It will be noticed that in practically all instances of recent dividend cuts, yields prior to the cuts hovered around these figures especially when they reached 9 and 10%. Some dividends may be a risk, however, even if the yield is quite low. Still, the rule persists.

The investor would, therefor, do well to check his holdings and determine the yields offered at current market prices. The accompanying table, for example, gives a list of companies, many of whose stocks are returning an abnormally high yield. By the criterion specified, it cannot be said that these dividend rates are entirely secure.

Attention is called to the earnings comparisons of the companies listed in the table, especially the first quarter. These show an adverse change in the earnings trend and necessarily raises the question as to whether their present dividend rate can be continued. In this connection, the investor should distinguish between these companies which may make deep cuts in the dividends, or only moderate cuts; or entirely eliminate payments. Most of the companies in the table, we believe, will not be forced to take too drastic action, and some may be able to continue dividend rates.

Actually, a moderate reduction in dividends, while unpleasant for the investor, is not necessarily altogether too serious a matter for the company since it enables the latter to maintain a stronger financial condition. Under present conditions in business, it is a prime necessity for companies to maintain as liquid a condition as possible. So far as the investor is concerned, he is obviously better off with a smaller but more secure dividend than a larger one if the latter should become imperiled altogether through prolonged unwise fiscal management.

Prices May Differ from Trend

It need not be said that investors are as much interested in the market price of their stocks as in their dividend return, and are consequently often

Stocks with Lower Earnings

	Earned Per Share 1st Quar. 1952	Earned Per Share 1951	Earned Per Share 1950	Net Operating Margin 1951	Div. Paid 1951	Recent Price	Yield	Ratio Current Assets to Current Liabilities	Percentage Cash & Marketable Sec. to Current Assets	COMMENTS
Allied Stores	$ .44	$3.30	$6.69	1.7%	$3.00	37⅜	8.0%	3.5	8.7%	Lower merchandising margins holding down profits, but final half-year should bring net up close to current dividend needs. However, dividend margin quite narrow.
American Snuff	.68	2.73	3.14	9.4	2.55	37⅞	6.6	3.7	21.4	Strongly entrenched in the snuff business. Higher costs will bear upon earnings but indications are that 1952 net will provide sufficient coverage for current dividend.
Bayuk Cigars	.08	.77	.94	2.0	.60[3]	10⅛	5.9	17.6	6.7	Earnings last year barely covered dividends. First quarter, 1952, net down to 8 cents a share. Outstanding promissory note provides for dividend restrictions under certain conditions.
Brunswick-Balke-Colndr.	(d) .62	2.37	5.08	4.9	1.25	20½	6.1	2.7	3.6	Restricted sales and higher costs narrowing earnings margin. Continuation of trend, seen in 1952 first quarter deficit of 62 cents a share, indicated for balance of the year.
Celotex	.28	3.69	3.13	5.9	1.50	18⅜	8.2	3.3	36.8	Sharp drop in earnings reflects diminishing market for output. Less stringent credit, policies may create improved demand but it is not likely that 1952 net will cover dividend needs.
Fajardo Sugar	....	2.65[1]	2.78[1]	6.8	2.00	22	9.1	2.8	20.4	Smaller demand and lower raw sugar prices indicate a narrowing profit margin. Strong financial position may bolster dividend support.
Falstaff Brewing	.25	1.31	1.74	6.2	1.00	14¾	6.8	2.2	28.9	Down-trend in earnings may be reversed to some extent this year by greater operating efficiency from plant expansion and disposal program, narrower profit margin is indicated.
Flintkote	.24	4.11	5.83	6.5	3.00	29¾	10.1	3.5	59.8	Drastic drop in first quarter net to 24 cents a share reflects constricted sales volume, the trend of which appears to be consistently downward. Net for full year likely to fall short of dividend needs.
Gen. Precision Equipt.	.06	.99	1.45	2.0	1.00	18⅞	5.3	3.5	8.4	Smaller demand for theatre equipment has turned company to defense work. First quarter net of 6 cents a share may be bettered but current dividend not secure.
Hayes Mfg.	.13	.52	(d) .31	4.7	.60	6½	9.2	3.8	5.7	Smaller volume of automotive sales offset by larger defense orders. Earnings from the latter source may be slow in developing, resulting in 1952 net under dividend needs.
Holland Furnace	(d) .45	2.02	3.53	5.3	2.00	21⅜	9.3	3.7	36.5	Better part of post-war demand appears to have been met. Lifting of credit curbs may improve sales, but 1952 earnings may not equal dividend needs.
Lehigh Coal & Nav.	.15	.85	1.36	3.4	.70	8⅜	8.4	1.6	41.0	Lower earnings reflect continuing high operating costs. With seasonal weather, 1952 net may show some improvement over 1951 earnings of 85 cents a share. Dividend coverage narrow.

(d)—Deficit   1—Fiscal year ended July 31.   2—Unlisted.   3—Indicated rate.

chagrined when their stocks refuse to follow strong markets, such as we have had from time to time in the past year. They have a reason to be disturbed, if these stocks continue to yield unduly high returns, for the implication is that those close to the company, and therefor in a position to come to a realistic appraisal of actual dividend prospects, would desire to limit their holdings long in advance of anticipated dividend action. Naturally, this has a depressing effect on the price of the stock affected and accounts for the growing large yield before the dividend is cut. It cannot be stressed too much, therefor, that the purchase of stocks for a high return is generally most inadvisable and likely to result in losses to the unwary purchaser. The only exception is at the end of a long depression when the average yield on stocks, good and bad, is abnormally high. In that case, a high yield loses its unfavorable connotation. Under generally prosperous conditions, however, when good stocks do not yield much more than 7% as at present, an unusually high return is a signal of danger.

The purpose of the accompanying table is mainly to indicate some of the companies whose earnings coverage for dividends has been declining. Obviously, the list is not complete.

The dividend status of the companies listed varies considerably. Some dividends are insecure both because of low earnings and poor financial condition. Others, however, probably can be maintainad for a period despite lower earnings since the financial position is strong. For the greater convenience of our readers, we have endeavored to indicate our opinion as to the difference in prospects in comments on the individual companies.

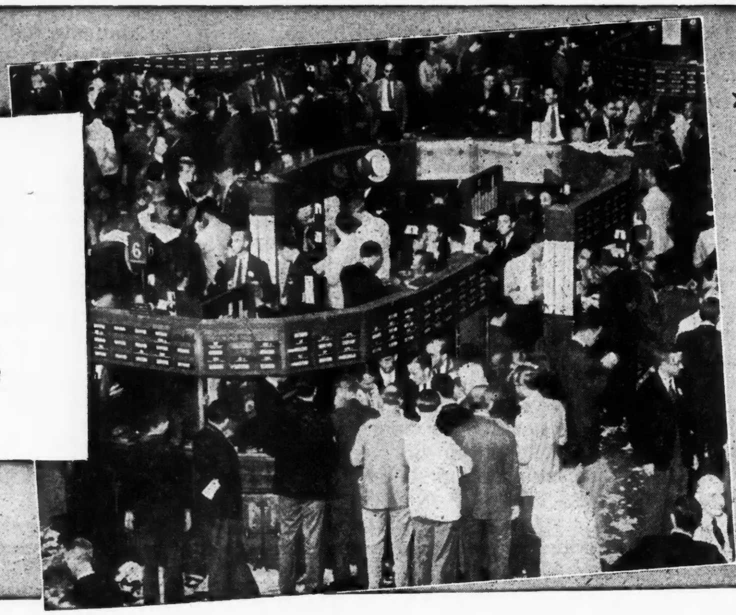
These comments by no means should be construed as a reflection on the managements concerned. It simply means that due to conditions beyond their control, such as high taxes and adverse operating conditions, the earnings of these companies have declined rather sharply in the past year or so which necessarily raises a question as to whether dividends can be maintained indefinitely on the present basis.

Stocks with Lower Earnings

	Earned Per Share 1st Quar. 1952	Earned Per Share 1951	Earned Per Share 1950	Net Operating Margin 1951	Div. Paid 1951	Recent Price	Yield	Ratio Current Assets to Current Liabilities	Percentage Cash & Marketable Sec. to Current Assets	COMMENTS
Mohawk Carpet	$ .63	$2.54	$8.39	1.9%	$2.00[3]	29½	6.7%	1.8	9.9%	Decline in sales and higher operating costs extended into 1952 first quarter. The industry appears more stabilized but current year earnings likely to barely cover dividend.
Nash-Kelvinator	.13	3.74	6.64	4.4	2.00	19⅞	10.0	2.6	43.5	Lower sales reflected in sharply reduced earnings. Lifting of credit controls may produce some improvement but fiscal year's net may warrant unfavorable dividend action.
National Auto. Fibres	.41	3.21	4.80	3.6	2.00	18	11.1	4.9	30.2	Record sales in 1952 offset by higher costs which continue to prevail. First quarter results indicate possible further decline in net. Dividend currently covered.
N. Y. City Omnibus	.48	2.85	.74	5.9	2.50	16¾	15.0	....	98.6	While increased surface lines travel may aid in producing higher earnings the vicissitudes of traction lines are still present. Maintenance of current dividend is doubtful.
Pacific Mills	.54	.94	6.39	.7	2.00	31⅞	6.3	3.0	7.9	The company surmounted 1951 difficulties in good financial condition. With the industry again on an even keel indications are that 1952 earnings should cover dividend requirements.
Park & Tilford	(d) .27	4.04	5.10	1.4	3.00	35½	8.4	7.0	9.1	Some improvement possible in earnings for last half of year but any gain is not likely to be sufficient to support current dividend rate.
Punta Alegre Sugar	....	2.82	2.68	12.2	2.50	16[2]	16.5	4.2	62.7	High labor and other costs, combined with lower sugar prices, indicate materially reduced earnings for the current fiscal year. Dividend maintenance doubtful.
Reliable Stores	.20	2.73	5.33	3.5	2.10	26⅜	8.0	4.6	6.1	Earnings have been affected by lower sales volume and rigid overhead. Final half-year may be better but present earnings below dividend requirements.
Shattuck (F. G.) Co.	.18	.28	.93	.7	.40	8⅝	4.6	4.9	30.0	Company now appears to have better control of operating costs. On the basis of first quarter results 1952 earnings should be sufficient to cover small dividend payments.
Symington Gould	.26	.89	1.16	4.8	.50	6⅜	7.9	2.4	11.4	Current position appears to have improved from 1951 status and outlook indicates 1952 earnings at a rate justifying maintenance of dividend.
Thermoid Co.	.30	2.02	2.26	4.6	.90	10⅛	8.9	1.8	12.5	Higher costs offsetting sales have reduced earnings but sustained volume should produce sufficient net in 1952 to justify continuance of current dividend rate.
Twent. Cent.-Fox Film	.01	1.47	3.26	2.8	2.00	16½	12.1	3.5	28.9	Rate of earnings for 1952 depends upon the degree of success achieved by this year's film releases. Dividend requirements far in excess of earnings.

(d)—Deficit [1]—Fiscal year ended July 31. [2]—Unlisted. [3]—Indicated rate.

FOR PROFIT AND INCOME



Rayon

After a good many lean months, the rayon industry has now turned the corner. At 63½ in a 1951-1952 range of 78-58, American Viscose is the best stock on an investment basis. With sales down 26% from a year ago in the first quarter, this company—largest and financially strongest in the industry—earned a respectable 95 cents a share versus $1.48 a year earlier. With first-quarter sales down about 48% from a year ago, Celanese had a deficit of 4 cents a common share for the period, against 1951 first-quarter net of $1.48. This was partly due to the leverage in capitalization, resulting from $98.75 million in funded debt and 1,034,163 shares of two issues of preferred stocks ahead of the common. The stock is at 40 in a 1951-1952 range of 58¼-36¾. Industrial Rayon, much the smallest of the three, made the best first-quarter showing, with net very close to the year-earlier level, due to sustained high activity in rayon cord for tires, and the special importance of such business to this company. At 56½ in a 1951-1952 range of 71½-53, the stock is of semi-investment grade. For a medium-term speculative commitment, Celanese is by far the best bet because of the leverage involved. The stock yields about 5% on the new 50-cent quarterly dividend which has not been fully earned since the third quarter of last year and then by only comparatively small margin. However, coverage is normally adequate; and promise of better earnings for the rest of 1952 could induce a sizable recovery in the stock.

Shoes

Shoe business is improving; but these stocks are slow movers. Melville is the largest integrated manufacturer-retailer, and has paid liberal dividends over a long period of years. The stock is at 24 in a postwar range of 29¾-20; and yields 7.5% on a $1.80 annual dividend. Although coverage is moderate (net was $2 a share in 1951, against $2.22 in 1950 and peak of $2.64 in 1948) the rate appears secure in view of strong finances and promise of trade betterment. The stock has merit for good yield, with modest appreciation possibilities.

Carpets

Recent further price-cutting by carpet and rug makers means that any significant improvement in earnings is unlikely prior to the seasonally active autumn selling period. It has hurt spring profits and sales, since buyers tend to wait for still lower prices when a series of cuts has been in progress. Carpet stocks, as noted in these brief discussions before, look thoroughly sold out. They will probably be up enough percentagewise to make buying unattractive by the time you read any news of tangible trade revival. The best issue in quality (it is at least medium-grade) is Mohawk Carpet, now selling around 29 in a postwar range of 70-25, on a $2 annual dividend basis against total of $3.75 paid in 1951. Net was 63 cents a share in the first quarter, against $1.78 a year ago. Given a better second

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1952	1951
Monarch Machine Tool	Mar. 31 Quar.	$ .64	$ .37
Bendix Aviation Corp.	Mar. 31 Quar.	1.72	1.36
Bullard Co.	Mar. 31 Quar.	2.15	.85
Collins & Aikman	52 Weeks Mar. 1	5.40	2.67
Southern Pacific Trans. Sys.	Mar. 31 Quar.	3.10	2.53
Idaho Power Co.	Mar. 31 Quar.	.82	.57
Brooklyn Union Gas	Mar. 31 Quar.	2.61	2.05
Florida Power Corp.	Mar. 31 Quar.	.56	.39
Household Finance Corp.	Mar. 31 Quar.	1.20	1.09
Boeing Airplane Co.	Mar. 31 Quar.	1.76	1.03

half, it could widely exceed last year's $2.54; but 1950's $8.39 will stand as the record for some time. Bigelow-Sanford recently omitted the previously reduced dividend; earned 15 cents a share in the first quarter versus 90 cents a year ago; and is selling at 14⅜ in a postwar range of 27¾-14⅜. Firth Carpet recently cut its 20-cent quarterly rate to 10 cents; earned nothing on the common (but something on the preferred) in the first quarter; and is now at 10 in a postwar range of 28⅞-10. Balance-sheet changes for all these companies have been on the adverse side, and relatively most so for Bigelow-Sanford. The choice for a low-priced speculation would be Firth. Although the stock has been publicly listed only since 1946, this is an old enterprise. It has been surviving carpet-trade depressions and profiting under normal-to-good carpet-trade conditions since 1884 or for more than two-thirds of a century.

Summer Rises

We discussed here two weeks ago the apparent bias toward higher average stock prices within the July-August period, noting that comparing highs of this two-month stretch with May closing levels results automatically in a so-called seasonal upward tendency; and pointing out that net changes in the industrial average in each of the summer months individually have indicated no consistent pattern. We noted that if the "seasonal summer rise" is figured from the May close to the July-August high, there has been a rise in 46 years out of the 55-year history of the Dow average; and that the average move for 55 years was a gain of about 9.5%. It may be interesting to observe, by way of brief additional comment, that over the last ten years it has averaged only 4.5%; and that there were declines in two years—1950 and 1946—or in 20% of the instances. Yet these ten years have embraced two major bull markets and no major bear market.

Reasons

The long-term record cited above is loaded by some sharp summer rallies from sharp downswings in bear markets; and by some spectacular phases of intermediate rise, in bull markets, from crisis levels of stock prices. We not only do not have a technical basis at present for dynamic market action this summer; but also do not have professional sponsorship, manipulation, active speculation or taxes low enough to make short-swing operations attractive. We have punitive tax levels on profits taken within less than a six-months holding period, a regulated and policed market, and largely an investment-dominated market. Taken by itself, there has never been too much allure in the potential for a summer rise. The considerations cited may explain why the potential and the allure have been reduced in comparatively recent years.

Groups

After the first five months of selective 1952 fluctuation, the following stock groups are among those at or close to the year's highs: Rails, utilities, autos, bus lines, food stores, finance companies, baking and shipbuilding. The weakest groups are amusements, liquor, communications, sugar and tobacco. Among other laggard groups, textiles have had a fair rally; department-store and mail order stocks very little. Footing up to a no-confidence vote in the continuity of defense-capital-goods activity, steels, coppers, machinery and rail equipments are much closer to their 1952 lows than highs. Well-bought on all recessions, oils and chemicals neither go down much nor recapture enough of their earlier allure to shove on above their previous major highs.

Rails

There are special considerations—mainly the benefit of higher freight rates in their tax-sheltered situation—which favor rails for the time being. They explain the better-than-average performance of rails. Similarly, special considerations explain the above-average strength, or exceptional weakness, of other groups. Neither the behavior of rails, nor that of any other group, can have prophetic general-market significance. If the industrial average moves up out of its old rut, it will not actually be a matter of following rails to a new high, despite the surface appearance. The "if" really depends on whether there is a sufficient rebirth of investment confidence in the outlook for business, earnings and dividends.

Movies

Movie stocks have been in a major zig-zag downtrend since 1946. It was interrupted by a good rally last summer, incident to a temporary recovery in film patronage during the off season for the big television shows. Commenting on the rally at the time, this column took a dim view of the industry's basic outlook; and nothing has happened to alter it. The film makers are squeezed between higher costs and the inroads of television on patronage, with the latter not yet at its maximum since large areas of the country are still without video. The squeeze recently has been getting worse. Both Loew's and United Paramount Theatres have reduced their interim dividend rates as this is written. Others probably will follow with cuts. The stocks have fallen sharply. If there is any reason why they should not work still lower over a period of time, it is not visible to the writer.

A few top Hollywood executives, however, believe the day will come when they will be called upon to produce films specifically for television in great quantity.

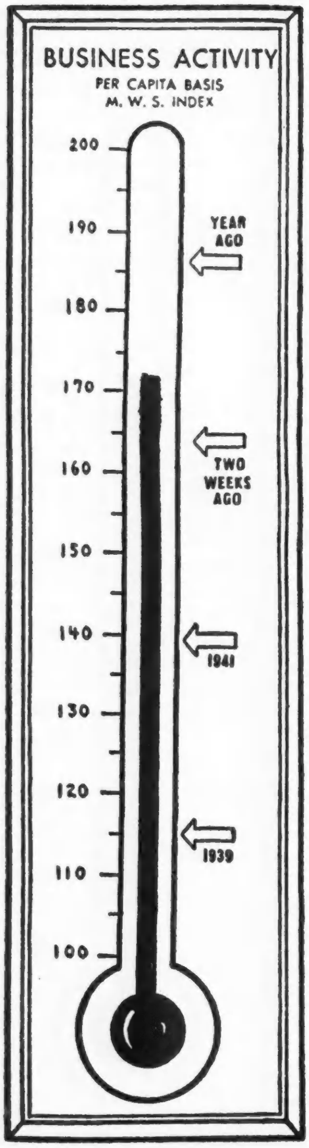
DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1952	1951
Philco Corp.	Mar. 31 Quar.	$ .64	$ .97
Doehler-Jarvis Corp.	Mar. 31 Quar.	.42	1.65
Duplan Corp.	6 mos. Mar. 31	.07	1.07
Caterpillar Tractor	12 mos. Mar. 31	3.74	7.26
Publicker Industries	Mar. 31 Quar.	.01	.66
Crane Co.	Mar. 31 Quar.	.89	1.72
Evans Products	Mar. 31 Quar.	.09	.90
Felt & Tarrant Mfg. Co.	Mar. 31 Quar.	.38	.75
White Sewing Machine	12 mos. Mar. 31	.40	4.31
Colorado Fuel & Iron	Mar. 31 Quar.	.63	1.45

What's Ahead for Business?

By E. K. A.

With the easing of restrictions on civilian use of three bellwether metals—steel, copper and aluminum—a temporary revival in the production of consumers' durables may be anticipated by fall. Failure of the hard goods index to keep pace with overall manufacturing upset the early post-Korean theory that 1952 would be accompanied by run-away inflation. The Federal Reserve Board industrial index has dropped a mere 3% in the past year; during the same period, heavy consumer production figures slid 23%. The Administration hopes to guide the two indices to an even keel.



Because of the doldrums in durable good sales, along with higher taxes and prices in general, the sharp jump in defense spending has not created the expected increase in purchasing power. The part of the paycheck that ordinarily would go into consumers' durables has for the most part found its way into savings accounts. Already the home appliance field, which gloomily has witnessed one plant shutdown after another, is preparing to clear out its inventories. Markdowns are on the way. High inventories thus will be substantially reduced by the time the full weight of relaxed curbs on metals is felt. Lifting of the freeze on television stations will act as a stimulant—but only a mild one—to an especially depressed industry.

As new models are placed in the showrooms and warehouses, the law of supply and demand again will play a key role. In this column's opinion, over-abundance of production will force the prices of durables down to a level where they will once more look attractive to consumers. The fundamental economic theory that desire plus buying power must prevail still applies. Although we cannot look for any wild buying spree in the hard goods line, production should enjoy a short-lived upward movement after hitting the bottom during the summer months.

Immediately after quotas were hiked on steel, copper and aluminum, Detroit's motor giants began to show signs of snapping out of their lethargy. In the first week unemployment fell more than 40%. By the middle of June the number of idle workers in the Motor City had declined another 20%.

A freer-spending period in the durables line may possibly act as a shot in the arm for other business. While retail sales have only just begun to reverse the downward trend, by year-end merchandisers will be prepared to absorb part of the coming slack in the capital expansion program. Confirming the rise in retail spending is the fact that consumers' expenditures for the first quarter of this year were ahead of the last quarter of 1952, despite a drop in disposable personal income. There are signs, however, that indicate the recovery in this line may die early in 1953 preliminary to the onset of any general business recession.

The modest tendency for the public to loosen its purse strings all adds up to temporarily increased employment in the last quarter of this year. We should not misinterpret the May decline in working hour figures as released by the National Association of Purchasing Agents. First of all, employment in the textile, apparel, furniture and shoe industries did not swing upwards until the latter part of the month. Second, business has not yet found it necessary to start replenishing inventories.

For the third successive month total number of persons employed gained in May as the figure jumped 1 million to nearly 61.2 million. Factory employment continued to drift downward while both farming and non-agricultural jobs such as construction expanded. A few non-consumer durable lines showed evidence of strengthening. Work stoppages in steel mill operations were behind the dip in factory help. It is obvious that lack of capital—frequently a cause of unemployment—was not a factor. Less than 2.6% of the country's workers were idle. At the same time we must not lose sight of the fallaciousness inherent in these figures since the government considers hundreds of part-time employees in its census.

Because of the stepped-up rearmament projects, along with maintenance of domestic needs, the Department of Commerce has predicted a still further increase of 2.3% in employment by the beginning of 1953. But the upswing can only last until after the peak of the defense spending is reached next spring at which time a gradual slide in the number of employed may set in.

The Business Analyst

HIGHLIGHTS

MONEY & CREDIT—The big job facing the Treasury these days is the search for new money to meet the growing budget deficit which totalled $6.3 billion on May 27. Tax payments in June will not be too much of a help as taxpayers will use $1.2 billion of Tax Anticipation Bills and other maturing short term obligations to meet their payments, cutting down the government's cash receipts. It is true that on a cash basis the fiscal '52 deficit may not exceed $2.0 billion but with defense spending now at the $4 billion a month figure, red ink will mark the Treasury's accounts in coming months. There is, therefore, a good deal of interest concerning the results of last month's offering of non-marketable 2¾'s.

If all of the Treasury bonds eligible for conversion into the new issue were turned in, the Treasury would have received $4.9 billion in cash. However, observers are afraid that the new money secured will fall far short of this amount as many investors prefer the benefits of ready marketability. In the past two months the Treasury has raised $1.6 billion through the sale of 91-day bills. This reliance on short-term loans is expected to continue. It is thought that the $5.2 billion of certificates due July 1 will be refunded into another 1-year certificate and a medium term bank-eligible bond.

Such continued dependence on the banks for funds would have inflationary implication. There are some counter-balancing factors, however, in the outlook for the next half-year. Thus, it appears that loans to business in the second half of 1952 will show a smaller rise than in the comparable period of last year when business borrowing rose by $2.6 billion. From here on out, industry is expected to spend less money for plant expansion and last year's inventory accumulation has given way to efforts to reduce stocks of goods.

Another stabilizing factor is the Federal Reserve System's progress towards a more flexible credit policy. The Reserve authorities, in recent weeks, instead of building up needed reserves of member banks by purchasing their offerings of government bonds, have instead forced these banks to borrow from the central bank. If this policy is continued, the rediscount rate—currently at 1¾%—can again become a potent instrument in controlling the expansion of bank credit. The nation's money supply is rising again and reached $183.8 billion on April 30, up $800 million from a month earlier and $10.4 billion above a year ago. The most volatile part of the money supply—demand deposits—increased by $300 million since March 26. The increase in April reflected government spending as the Treasury put money into private hands, cutting its own deposits by $900 million. Bank, on balance, reduced this increase by $100 million as the result of a diminution in bank credit outstanding.

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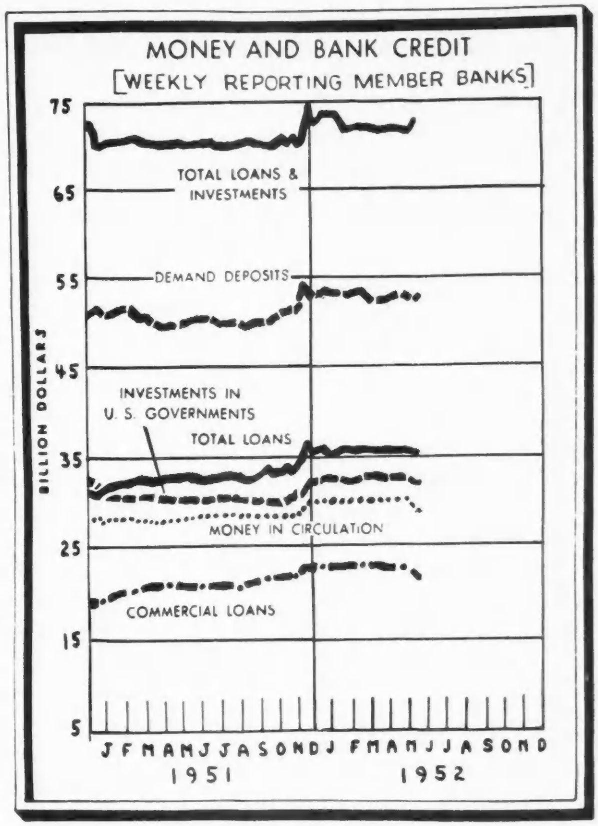
TRADE—Retail sales showed a mild seasonal expansion in the week ending Wednesday May 28 and receipts about matched those of a year ago. The stimulating effect of the lifting of credit curbs was more in evidence, especially among automobile dealers and appliance stores. Apparel stores experienced better demand in line with rising temperatures. Sales of household goods improved with refrigerators, washers and portable radios especially popular. However, total sales of such items remained appreciably below a year ago. Department store sales in the week ending May 24 were



4% above the corresponding week of last year. Nine districts showed increases led by California with a 24% gain. The remaining three districts had lower sales than last year with the biggest dip, one of 7%, for the New York district. Sales in New York City a year ago were very large as the result of the "price war" at that time.

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INDUSTRY—The National Association of Purchasing Agents reports that new orders received by industry continued to decline in May, causing producers to cut their output and buy from hand to mouth. Support for these findings is contained in the Federal Reserve Board estimate that its production index dipped to 214 in May, the lowest level of the past ten months. Part of the decline is attributable to labor troubles in the oil and steel industries. The index for April stood at 216% of the 1935-39 average with declines from March noted in production of both durables and non-durables. Output of household goods fell to 99% of the 1947-1949 average in April from 106 in March with the index of output of major appliances down sharply to 84 from 98 in March while furniture production rose to 108 from 103 the month before.

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Apr.	4.0	3.7	2.2	1.55
Cumulative from mid-1940	Apr.	452.3	448.3	411.6	13.8
FEDERAL GROSS DEBT—$b	May 29	259.9	259.5	255.1	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	May 21	52.2	52.0	49.9	26.1
Currency in Circulation	May 28	28.7	28.5	27.5	10.7
BANK DEBITS					
New York City—$b	May 21	12.7	11.2	10.0	4.26
93 Other Centers—$b	May 21	17.0	14.9	15.3	7.60
PERSONAL INCOMES—$b (cd2)	Mar.	257.8	258.3	245.5	102
Salaries and Wages	Mar.	174	174	162	66
Proprietors' Incomes	Mar.	47	49	48	23
Interest and Dividends	Mar.	21	20	20	10
Transfer Payments	Mar.	13	13	12	3
(INCOME FROM AGRICULTURE)	Mar.	20	20	20	10
POPULATION—m (e) (cb)	Apr.	156.4	156.2	153.7	133.8
Non-Institutional, Age 14 & Over	Apr.	109.3	109.3	108.9	101.8
Civilian Labor Force	Apr.	61.7	61.5	61.8	55.6
unemployed	Apr.	1.6	1.8	1.7	3.8
Employed	Apr.	60.1	59.7	60.0	51.8
In Agriculture	Apr.	6.4	6.0	6.6	8.0
Non-Farm	Apr.	53.7	53.7	53.4	43.8
At Work	Apr.	58.0	57.5	58.2	43.2
Weekly Hours	Apr.	41.8	41.6	42.4	42.0
Man-Hours Weekly—b	Apr.	2.42	2.39	2.47	1.82
EMPLOYEES, Non-Farm—m (lb)	Apr.	46.2	45.9	46.0	37.5
Government	Apr.	6.6	6.5	6.3	4.8
Factory	Apr.	12.7	12.8	13.1	11.7
Weekly Hours	Apr.	40.0	40.6	41.0	40.4
Hourly Wage (cents)	Apr.	165.6	165.5	157.8	77.3
Weekly Wage ($)	Apr.	66.24	67.19	64.70	21.33
PRICES—Wholesale (lb2)	May. 27	111.9	112.0	115.9	92.5
Retail (cd)	Mar.	208.8	208.9	205.8	116.2
COST OF LIVING (lb3)	Mar.	188.0	187.9	184.5	100.2
Food	Mar.	227.6	227.5	226.2	113.1
Clothing	Mar.	203.5	204.3	203.1	113.8
Rent	Mar.	140.5	140.2	134.7	107.8
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Mar.	12.4	12.9	12.6	4.7
Durable Goods	Mar.	4.1	4.4	4.6	1.1
Non-Durable Goods	Mar.	8.3	8.5	8.0	3.6
Dep't Store Sales (mrb)	Mar.	0.79	0.80	0.79	0.34
Retail Sales Credit, End Mo. (rb2)	Mar.	10.9	11.1	11.3	5.5
MANUFACTURERS'					
New Orders—$b (cd) Total	Apr.	22.8	23.1	23.8	14.6
Durable Goods	Apr.	11.7	11.7	13.0	7.1
Non-Durable Goods	Apr.	11.2	11.4	10.8	7.5
Shipments—$b (cd)—Total**	Apr.	22.5	22.9	21.8	8.3
Durable Goods	Apr.	11.2	11.4	10.6	4.1
Non-Durable Goods	Apr.	11.3	11.6	11.2	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Mar.	69.9	69.9	65.2	28.6
Manufacturers'	Mar.	42.3	42.2	35.6	16.4
Wholesalers'	Mar.	9.7	9.7	9.9	4.1
Retailers'	Mar.	17.8	18.0	19.7	8.1
Dept. Store Stocks (mrb)	Mar.	2.3	2.3	2.6	1.1
BUSINESS ACTIVITY—1—pc	May 24	171.8	163.0	187.4	141.8
(M. W. S.)—1—np	May 24	204.5	194.0	218.6	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 333)

COMMODITIES—Most commodity prices have been quite steady this Spring. The Bureau of Labor Statistics Index of primary market prices closed at 111.9 on May 27 compared with a level of 111.8 on March 22. During this period farm products rose by 2.4% while the index of all commodities other than farm and food products remained unchanged. Among individual commodities, some large declines have occurred during the period featured by lead with a 21% drop from its ceiling price. On June 2, zinc which had been selling at ceiling prices for 15 months, dropped two cents to 17½ cents a pound. The price of rubber has also suffered a sharp deflation. On June 1 the government reduced its selling price to 38 cents a pound for natural rubber. This compares with a price of 50½ cents on March 22.

* * *

DISPOSABLE PERSONAL INCOME totaled $226.3 billion in the first quarter of this year, down from $227.2 billion in the fourth quarter of 1951. This is the first decrease since late 1949 and has businessmen a bit worried. With the population increasing steadily the income decline was more marked on a per capita basis. Although wages continued to rise in the first quarter, the increased tax bite reduced the betterment to little more than nominal proportions. Appreciable decreases were noted in the income of proprietors and receipts from dividends and interest also were lower.

* * *

Deliveries of **FREIGHT CARS** in April totaled 7,403, compared with 8,159 in March and 8,724 in April, 1951, according to a joint announcement of the American Railway Car Institute and the Association of American Railroads. **NEW ORDERS** were received for only 397 cars in April compared with 5,619 in March. With deliveries far in excess of new orders and order cancellations also playing a part, the **BACKLOG** of orders on hand fell to 108,270 on May 1 from 115,854 a month earlier. Unfilled orders on May 1, 1951 amounted to 138,139 cars.

* * *

NEW PASSENGER CAR REGISTRATIONS will total 380,000 units in April according to estimates of R. L. Polk & Co. This compares with registrations of 322,857 in March and is the first increase since October 1951. Although largely seasonal it also reflects greater production. **FACTORY SALES** of passenger cars in April climbed to a new 1952 peak of 416,155 units topping the March figure by over 46,000. Of

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—1 np (rb)**	Apr.	216	220	223	174
Mining	Apr.	164	163	164	133
Durable Goods Mfr.	Apr.	276	283	279	220
Non-Durable Goods Mfr.	Apr.	184	188	198	151
CARLOADINGS—t—Total	May 24	762	754	812	833
Misc. Freight	May 24	370	373	396	379
Mdse. L. C. L.	May 24	71	72	76	156
Grain	May 24	41	42	42	43
ELEC. POWER Output (Kw.H.) m	May 24	7,146	7,110	6,653	3,267
SOFT COAL, Prod. (st) m	May 24	9.0	8.4	9.8	10.8
Cumulative from Jan. 1	May 24	202.2	193.2	215.9	44.6
Stocks, End Mo.	Mar.	77.3	76.5	71.4	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Apr. 26	6.4	6.4	6.2	4.1
Gasoline Stocks	Apr. 26	155	157	146	86
Fuel Oil Stocks	Apr. 26	39	37	37	94
Heating Oil Stocks	Apr. 26	51	00	49	55
LUMBER, Prod.—(bd. ft.) m	May 24	571	488	665	632
Stocks, End Mo. (bd. ft.) b	Mar.	8.2	8.2	6.3	12.6
STEEL INGOT PROD. (st) m	Apr.	8.0	9.4	8.8	7.0
Cumulative from Jan. 1	Apr.	35.2	27.2	34.5	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	May 29	308	238	374	94
Cumulative from Jan. 1	May 29	5,642	5,334	6,256	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	May 24	165	181	209	165
Cigarettes, Domestic Sales—b	Apr.	32	30	30	17
Do., Cigars—m	Apr.	492	478	444	543
Do., Manufactured Tobacco (lbs.)m	Apr.	18	17	17	28

PRESENT POSITION AND OUTLOOK

these sales 396,912 vehicles were destined for the domestic market. Total sales in April 1951 came to 503,038 cars.

* * *

April **SHIPMENTS OF FABRICATED STRUCTURAL STEEL** amounted to 230,874 tons, down from the 268,840 tons shipped the month before, the American Institute of Steel Construction has reported. **NEW ORDERS** received during the month of April totalled 205,022 tons, a decrease of 9% from the previous month. The **BACKLOG** of orders on hand fell to 2,350,974 tons on April 31 from 2,500,946 tons a month earlier. A year ago the backlog was 2,808,124 tons.

* * *

SHIPMENTS OF MACHINE TOOLS in April rose to the highest level since 1943 and exceeded the rate of receipt of new orders for the first time in three years, the National Machine Tool Builders Association has announced. Shipments have been increasing steadily and reached 309.7% of the 1945-1947 monthly average in April compared with 299.5% in March and 91.9% in April of last year. The ratio of unfilled orders to current production continued to drop and amounted to 15 months of current production on April 31. The peak ratio was reached in September of last year at 23.5 months.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, instalment sale credit and charge accounts. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

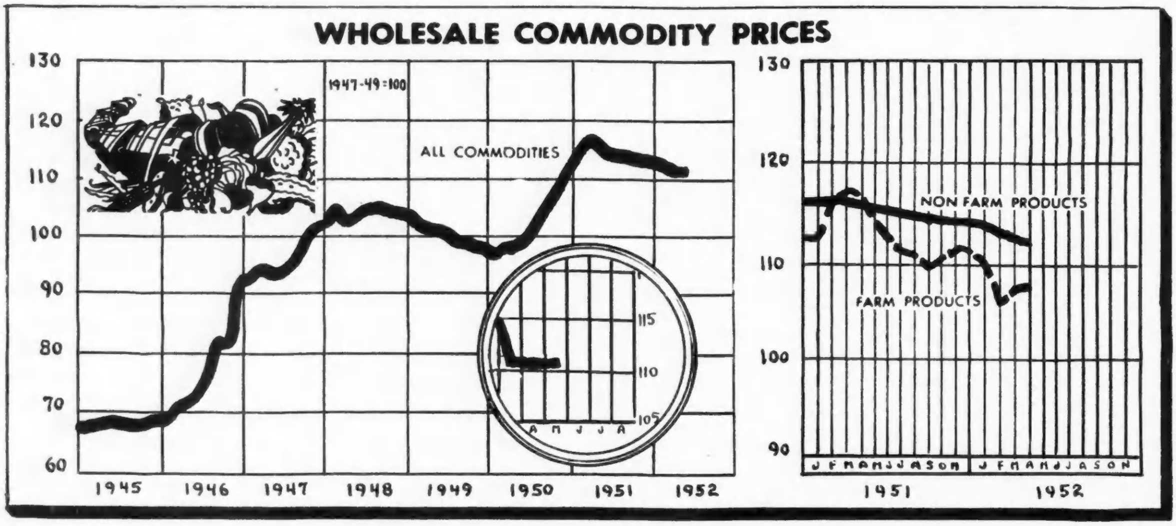
No. of Issues (1925 Cl.—100)	1952 Indexes High	1952 Indexes Low	1952 May 23	1952 May 29
330 COMBINED AVERAGE	199.5	190.9	194.0	193.3
4 Agricultural Implements	295.8	270.6	276.6	279.7
10 Aircraft ('27 Cl.—100)	316.7	278.2	296.0	299.0
7 Air Lines ('34 Cl.—100)	777.8	616.9	632.7	624.8
8 Amusements	102.7	82.9	87.7	82.9Z
10 Automobile Accessories	244.0	232.0	241.6	239.2
11 Automobiles	42.2	40.2	41.8	41.4
3 Baking ('26 Cl.—100)	22.0	20.8	21.2	21.2
3 Business Machines	398.3	370.4	382.4	374.4
2 Bus Lines ('26 Cl.—100)	158.1	141.6	156.6	158.1A
6 Chemicals	418.0	356.4	368.6	372.6
3 Coal Mining	16.0	14.2	14.5	14.6
4 Communications	68.3	61.7	61.7	63.0
9 Construction	72.3	67.5	70.3	70.3
7 Containers	490.6	442.8	452.3	452.3
9 Copper & Brass	169.5	138.8	145.3	143.6
2 Dairy Products	85.7	83.2	84.0	84.8
5 Department Stores	66.0	60.1	62.7	62.0
6 Drugs & Toilet Articles	233.1	212.7	215.0	215.0
2 Finance Companies	362.7	308.1	356.4	356.4
7 Food Brands	178.7	171.5	173.3	176.8
2 Food Stores	105.6	97.4	105.6	103.5
3 Furnishings	63.1	59.3	61.2	61.2
4 Gold Mining	736.4	648.3	698.6	686.0

(Nov. 14, 1936, Cl.—100)	High	Low	1952 May 23	1952 May 29
100 HIGH PRICED STOCKS	125.1	119.2	121.9	121.8
100 LOW PRICED STOCKS	241.5	226.9	229.6	229.0
5 Investment Trusts	105.8	97.9	103.9	102.9
3 Liquor ('27 Cl.—100)	1146.9	910.4	921.7	910.4Z
11 Machinery	216.6	197.9	202.1	202.1
3 Mail Order	130.6	116.4	117.7	119.0
3 Meat Packing	00.2	88.4	90.3	88.4
13 Metals, Miscellaneous	307.4	249.4	258.1	258.1
4 Paper	443.7	395.3	403.4	395.3Z
28 Petroleum	285.1	440.2	463.4	459.1
30 Public Utilities	170.8	162.5	169.2	170.8A
9 Radio & TV ('27 Cl.—100)	34.5	31.1	32.3	32.0
8 Railroad Equipment	64.3	59.2	60.5	59.9
24 Railroads	46.6	41.3	46.2	46.6A
3 Realty	42.0	38.2	41-.6	42.0
3 Shipbuilding	191.8	181.0	190.0	190.0
3 Soft Drinks	330.5	301.2	310.7	307.5
14 Steel & Iron	154.8	135.3	136.8	136.8
3 Sugar	73.1	63.9	66.0	63.9Z
2 Sulphur	616.3	530.4	530.4	530.4
5 Textiles	197.4	164.1	172.0	173.9
3 Tires & Rubber	75.3	66.9	67.6	67.6
6 Tobacco	85.9	78.6	78.6	78.6
2 Variety Stores	319.6	297.9	304.1	304.1
18 Unclassified ('49 Cl.—100)	119.7	115.1	117.4	117.4

A—New High for 1952. Z—New low for 1952.

Trend of Commodities

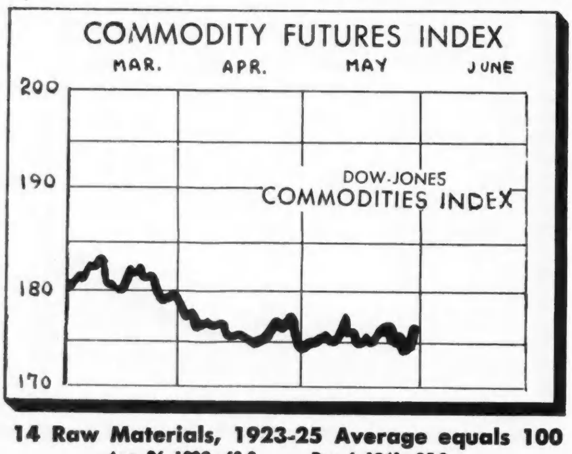
Commodity futures have see-sawed within a narrow range during the past two weeks but most of them finished on the down side. The Dow-Jones Commodity Futures Index closed at 174.68 on June 2, showing a loss of 1.41 points in the fortnight since May 19. Grains, cocoa, wooltops, world sugar and rubber were lower during the period while soybeans, lard and hides were better. September wheat lost 3⅛ cents during the two weeks to close at 234⅝ on June 2. A bumper wheat harvest is approaching and this exerts pressure on prices. The government loan is a price supporting influence but prices could dip well below the official support level during the heavy marketing season. October cotton closed at 36.72 on June 2, unchanged from two weeks earlier. The buying spurt in the cloth market has subsided and reports of mill curtailment and shut down plans are prevalent. Ideas concerning domestic consumption for the year ending July 31, 1952 are being reduced. It is now thought that less than 9.0 million bales will be consumed which compares with previous expectations some one-half million bales higher. The outlook for exports is not too rosy either and a carry-over of about 3.0 million bales on July 31 is in prospect as against 2.3 million bales left on hand a year earlier. Cool weather is delaying the new crop and some sources feel that plantings may not exceed 25 million acres versus previous expectations that farmers would meet the 28 million acre goal of the Department of Agriculture. July hide futures rose 45 points in the last two weeks and closed at 17 cents on June 2. This compares with the season's low of 13.30 cents reached on April 7. The recent strength in hides reflects a spurt in consumer demand for shoes and a seasonal lift in factory output. However, resistance to the advance is increasing in line with forecasts that cattle marketings may show a decided increase.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—August, 1939, equals 100

	Date June 2	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
28 Basic Commodities	293.4	297.2	307.4	359.6	156.9
11 Imported Commodities	284.1	292.2	310.7	385.3	157.3
17 Domestic Commodities	299.6	300.4	305.3	343.8	156.6

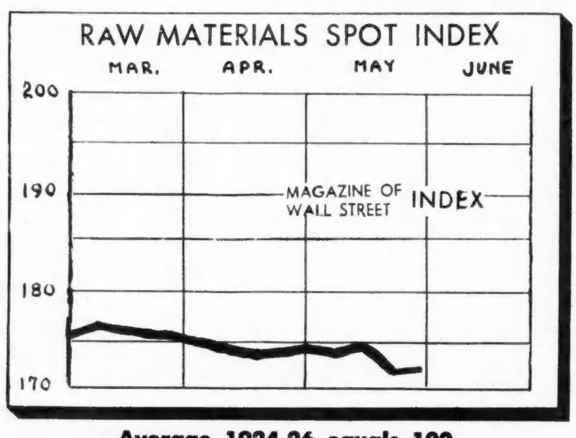
	Date June 2	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
7 Domestic Agriculture	346.3	351.7	338.7	385.0	163.9
12 Foodstuffs	356.5	359.6	355.0	386.8	169.2
16 Raw Materials	268.4	275.0	294.5	344.0	148.2



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1952	1951	1950	1945	1941	1939	1938	1937
High	181.2	214.5	204.7	95.8	74.3	78.3	65.8	93.8
Low	173.1	174.8	134.2	83.6	58.7	61.6	57.5	64.7



Average 1924-26 equals 100

	1952	1951	1950	1945	1941	1939	1938	1937
High	192.5	215.4	202.8	111.7	88.9	67.9	57.7	86.6
Low	172.6	176.4	140.8	98.6	58.2	48.9	47.3	54.6

Keeping Abreast of Industrial and Company News

Preliminary construction has been started by Acme Steel Company of Canada, Ltd., subsidiary of **Acme Steel Company,** on its new Scarborough, Ontario, plant. The new building together with adjacent heating plant will cover 30 thousand square feet of space is to be devoted to the manufacture of flat steel strapping and seals for container reinforcement.

An important part of the current $296 million expansion program mapped out by **Westinghouse Electric Corp.,** involves the construction at Raleigh, N. C., of a multi-million-dollar electric meter manufacturing plant. It is expected that the plant will be completed by July, 1953, and will then go into the production of all types of watt-hour meters for use in homes, factories and wherever electric energy is metered. This new expansion program is the second undertaken by the company since 1946, the first involving the expenditure of $130 million being completed last year and, it is said, increased production by 50 percent.

Through its Naugatuck Chemical Division the **United States Rubber Company** has developed a quick, easy method of joining carpets in workrooms or at home that does away with the laborious tacking and sewing, and yet makes possible a flat, almost invisible seam. The new method employs a fabric and paper tape having built-in metal grips, and a tough rubber-based adhesive. The joining of the carpet is made face upward by laying one section over the tape to its mid-point and then "kicking" the section tightly against the first section with a "kicking" tool. These materials now available to carpet manufacturers and others in the trade are expected to be in retail stores before the end of the year.

Since V-J Day **Pacific Gas & Electric Co.,** by the construction of nine new powerhouses and by additions and improvements to existing plants has increased the system generating capacity by 1.9 million horsepower. This output will be further increased by projects now under way which will add 1,473,000 horsepower, raising the system capacity to more than 5.5 million horsepower, or considerably more than double the prewar total. This figure does not include the output of two large new powerhouses to be constructed upon granting by the Federal Power Commission of the necessary authority. These two new plants which it is estimated will cost $45 million are to be constructed along the Pit River. They will each be equipped with two turbine generators, have a combined capacity of 193 thousand horsepower and both will be tied into the company's inter-connected network.

Contracts totaling $2 million have been awarded by the U. S. Air Force to the **Bell and Howell Co.,** for its new 16mm sound motion picture projector. The new unit designed to meet Joint Army-Navy (JAN) performance specifications, makes possible field servicing of the machine without delicate instruments or factory trained personnel. Each of the major components, such as the motor assembly, sound amplifier and optical system, is designed and built as an individual "package" or unit. Servicing is accomplished by removing an entire "package" and replacing it with a new one. The new projector will be used for training as well as entertaining Air Force personnel throughout the world. The unit, known as the D-4 has all metal parts made of stainless steel or have corrosion-resistant finishes which will stand up in tropical or artic climates. The current backlog of Bell & Howell's government business is placed at approximately $16 million.

Hercules Powder Co., plans to construct a new biological laboratory at its Experiment Station near Wilmington which upon completion will enable the company to expand considerably the work it has been doing in biological, botanical and agricultural fields. Construction work is to start next September and it is expected that the new facilities will be ready for use by April, 1953. The new laboratory, to cost about $400,000, will be used for applied research on insecticides, herbicides, and defoliants, as well as for the study of plant diseases and seed and soil treatments. Coupled with the laboratory will be greenhouses equipped with automatic controls, assuring uniform conditions for growing a variety of plants with which to evaluate materials on which the laboratory may be working.

American Car & Foundry Co., has received an order from **Southern Railway** for 1,750 seventy-ton triple hopper cars. This, it is said, is the largest order for such equipment placed this year by any railroad. Construction of these cars will be done at the company's Huntington plant beginning next December and deliveries to the road are expected to run through March, 1953.

A substantial forward step in increasing air flight safety may be accomplished through **Lockheed Aircraft Corp.,** development of de-icing equipment which, it is claimed, will enable planes to fly faster and eliminate many problems of high-altitude flight. This de-icer, made of metal and smooth-surfaced, boosts speed by eliminating the drag of present rubber equipment and with its improved electrical design makes it more effective than any previous type for use on wings and tail.

Long established as the country's largest lead mining company **St. Joseph Lead Co.,** has under consideration a move which will take it into the business of producing natural gas. The company has announced that there is available to it an opportun-

ity to acquire a substantial undivided interest in certain oil, gas and mineral leasehold rights presently owned by a responsible oil company in lands situated in several states. The company, it is understood, is looking into the matter through independent geologists. If the offer is accepted by St. Joseph it is contemplated that the properties would be developed and operated for the joint account of the two companies, with a definite limitation of obligation on the part of St. Joseph Lead.

Hudson Motor Car Co., plans to introduce, within the next few months, a new lightweight car to sell in the low price field. This new model, it is said, will weigh under 3 thousand pounds, and will be equipped with an engine capable of developing more than 100 horsepower. The design provides for the incorporation of Hudson's "step down" features. The company believes that by going into production on this new car it will be able to do a substantial volume of export business heretofore unavailable to Hudson because of the fact that its standard models did not come within size or price limitations set up by the Government in connection with export markets.

It is expected that within the next two months work will have started on **American Crystal Sugar Co.'s** new multi-million dollar beet factory at Crookston, Minn. The new plant will have a capacity for processing 3 thousand tons of beets every eight hours and will consist of, among other facilities, a pulp drier and warehouses. It is hoped to have the plant in operation in time for the 1954 beet crop.

R. H. Macy & Co., Inc., plans to open a $6 million store in a new shopping center at San Mateo, Calif., a surburb of San Francisco. The area known as the Hillside shopping center is described as the largest integrated center ever to be built on the West Coast. It will cover a 40 acre tract and consist of 75 shops and stores with a parking area capable of accommodating 12,000 cars daily. The unit to be opened by Macy will have a main floor and basement, with a floor area of about 200,000 square feet, making it the largest of the firm's branches.

Through its subsidiary American Structural Products Co., **Owens-Illinois Glass Co.,** has acquired the business and assets of the Kimble Glass Division which henceforth will be known as the Kimble Klass Co. This actually represents a merger of two divisions of Owens-Illinois, one of which was acquired in 1946 and the other in 1947. The consolidation of the two is being made to increase efficiency of operation in two elements of the business that have worked for years in closely related markets. The Kimble division produces glass tubing and rod, scientific laboratory glassware and container specialties. American Structural Products manufactures glass television and radar bulbs, glass insulators for communication and power lines and glass blocks for the building industry.

Stockholders of Leland Electric Co., at a special meeting, approved a proposition whereby their company will become a division of **American Machine & Foundry Co.** The Leland company operates a plant at Dayton, Ohio, and another at Guelph, Canada, for the production of electric motors, generators, and high frequency motor generators for powering radio, radar and other electronic devices. Output of motors includes types for use with water compressors, oil burners, refrigeration compressors and machine tools. Acquisition of the company by American Machine & Foundry will be accomplished through the exchange of one share of common stock of the latter for each share of Leland Electric.

Army Ordnance has placed with the **A. O. Smith Corp.,** a $5.1 million bomb casings contract, the first received by the company since World War II. During that conflict the company made close to 80% of the bomb casings used by the Allied forces. The company plans to go to work immediately on production in its Milwaukee plant. The process of manufacture is similar to that followed in making steel pipe which the company turns out and therefore raises no great conversion problem and requires no new plant construction. With this bomb casings order the company now has a backlog of $48 million in defense contracts on which work is being carried on in five of its principal plants.

The **Chesapeake & Ohio Railway** plans to follow **New York Central Railroad's** example by adopting a cut-rate family travel fare which permits children under 12 to ride free and children from 12 to 15 years of age to ride at half-fare when accompanied by a parent. The rates will be good for travel in day coaches, Pullman rates remaining unchanged. Chesapeake & Ohio believes the plan represents progressive railroading and will reach out into the automobile highways to take families who travel out of the maze and away from the hazards of travelling by automobile. It is estimated that the new "family tariff rates" will cut prices for an average family by about 50 percent.

A newly developed passenger car tire to safely endure sustained speeds of more than 100 miles an hour is under test by the **B. F. Goodrich Co.** Unlike hard-riding, high-pressure tires such as those used on racing cars, the new tire is of a low-pressure, cushion type, to meet the needs of modern cars capable of moving at high speeds for prolonged periods of time. Heat is the greatest cause of tire failure at high speeds which brings about a separation of the tread and casing. To overcome this, Goodrich has increased the adhesion between the two, reducing, at the same time, the degree of tire flexing which in itself generates heat. The new tires are being tested at speeds up to 135 miles an hour on a special testing machine and also on the road.

Carrying out the further expansion of the Redondo steam-electric generating station of **Southern California Edison Co.,** is expected to be under way before the end of the summer with the start of construction work on a second plant. The company states that the growth of electric service load on its system makes it necessary to bring production from this new plant into the lines as quickly as possible. Completion of the first of two 156,250 kilowatt generating units is planned for the spring of 1954, and when the entire work is completed the six Redondo generating units will have a generating capacity of about 600,500 kilowatts. The total cost of the station is placed around $80 million. The company's construction expenditures in the six year period to 1951 were in excess of $344 million.

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope*.
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Clark Equipment Company

"Please furnish data as to principal products manufactured by Clark Equipment Company. Also what were recent annual earnings and dividends?"

I. T., Lansing, Mich.

Net earnings of Clark Equipment Co. in the twelve months ended December 31, 1951, were $5,277,000 after provisions for federal income and excess profits taxes.

After preferred dividend requirements, the twelve months earnings were equal to $7.84 a share on 661,000 shares of common stock outstanding compared with $8.86 a share on 530,000 shares outstanding and after the same preferred dividend requirements the year before.

Volume of production for the year 1951 both in tonnage and dollars was the highest in the history of the company. Net profits earned was 4 cents per dollar of sales. A good part of the increase in the 1951 volume of business as compared with the previous year was represented by government work, both in prime-contracts and subcontracts, and the profits earned on these sales are subject to renegotiation under the law. In view of the very low profit margin earned on this part of the business, the company does not believe that provision for a renegotiation refund is necessary in its account.

Sales were $130,148,000 in the twelve months as compared with $68,603,000 in the corresponding period a year ago. Total current assets at December 31, 1951, were $49,200,000 and current liabilities were $21,600,000. On the same day a year before, current assets were $31,200,000 and current liabilities $11,200,000.

For the three months to March 31, 1952, sales were $37,482,079 and net profit $1,67,4527 equal to $2.50 per common share. This compares with first quarter 1951 sales of $28,782,157, net profit of $1,419,581 equal to $2.11 per common share.

Dividends in 1951 totaled $2.85 a share and 75 cents quarterly has been paid thus far in the current year.

Reo Motors

"My broker tells me that Reo Motors past earning record has been erratic. Will you please report on company's recent operations and outlook for coming months."

N. W., Lansing, Michigan

Reo Motors, Inc., manufacturer of trucks, engines, bus chassis, and lawn mowers, in its consolidated 1951 report showed sales volume of $112,756,340, an increase of 96% over the preceding year and 44% greater than the previous highest year in its history.

For the year ended December 31, 1951, consolidated net profit was $2,422,394, equal to $4.92 per share, after Federal income and excess profit taxes of $4,655,000. Earnings before taxes amounted to $14.37 per share.

These figures include the fully consolidated account of the company's wholly owned subsidiary, Reo Motor Company of Canada Ltd. The 1951 earnings compare with a net profit after taxes of $2,142,309, equal to $4.35 per share, for the year ended December 31, 1950.

The 1951 sales figure of $112,756,340 compared with consolidated sales of $57,353,258 for 1950, and $24,930,693 for 1949. Going back to the company's founding in 1904, the previous peak year was 1944 when consolidated sales totalled $78,184,005.

Total current asset as of December 31, 1951, amounted to $38,182,141, and current liabilities were $26,397,840, leaving net working capital of $11,784,301.

In addition to manufacturing commercial trucks, the company produces "Eager Beaver" trucks for the Armed Forces. Production of these vehicles, and engines increased substantially during 1951 and 1952 schedules call for still higher volume. Unfilled order position on these items approximated $200 million at year-end.

Export orders and shipments showed a healthy gain with shipments approximately 58% greater than in 1950. The Lawn Mower Division showed a 15% gain in dollar volume over 1950 and sales for this division were approximately $11,300,000 in 1951 as against $9,800,000 in 1950. The company is now the world's largest producer of power mowers.

For the three months ended March 31, 1952 net sales were $37,206,000 and net profit was $690,000, equal to $1.40 per share. This compares with first quarter 1951 sales of $25,790,000, net profit of $673,748, equal to $1.37 per share.

Dividends in 1951 totalled $1.00 per share and 50 cents was paid in the first quarter of 1952.

Sales volume is expected to be satisfactory over coming months.

(*Please turn to page* 352)

A Special Exclusive Study of Public Utilities

(*Continued from page* 320)

As an indication of the reception afforded new utility issues in 1952, the 16 subscription offerings of electric utilities in the first four months (raising some $70 million) were subscribed 82 per cent on the average (the figure is unweighted for size of issue). But this does not include the "over-subscriptions"—a new policy in recent years now used in about half or more of rights issues. Including over-subscriptions, the aggregate subscription for one stock issue reached 192%, half the offerings were over-subscribed, and only four were on the low side (58 to 72%). Also, most of the important offerings were underwritten, and the syndicates handling the issues were able to "lay off" blocks of stock successfully so as to take care of any unsubscribed amounts.

Obviously, however, these frequent stock offerings and the resulting irregularities in share earnings had some temporary affects on stock prices. Thus, when Wisconsin Electric Power offered rights at the unusually generous price of 20 (not underwritten), the stock dropped to 21½ as compared with its earlier 1952 high of 25¼. Since this stock enjoys a good investment standing, obviously this decline (which was subsequently half recovered) presented a good opportunity for alert investors. Similiar opportunities may become available in other issues from time to time.

Some utility situations which seem of special interest at this time are the following and others are covered in the accompanying table on Comparative Earnings, Dividends and Comments.

Consolidated Edison of New York has been in the limelight recently, in connection with press gossip that the long-awaited decision in its electric rate case might be forthcoming in the near future. Over three years ago Chairman Maltbie (who resigned shortly after handing down the decision) ordered the company to reduce its electric rates 10%, which substantially reduced share earnings. In its decisions over the past year or so, the "new" state commission has indicated a somewhat more favorable attitude toward utilities as compared with the harsh and uncomprising attitude of Mr. Maltbie. Its ideas about depreciation reserves are now more liberal than those of the former Chairman, and rate increases have been granted where necessary based on the pragmatic view that the utilities must be permitted to sell securities under current market conditions to complete their construction program. Consolidated Edison has not directly resorted to equity financing in recent years though some of its Debenture 3s have been converted into stock. It appears likely that the management feels that the stock is still sellling too low in relation to book value to warrant offering a substantial amount. An increase in electric rates would bolster the present $2 dividend (now rather skimpy supported by earnings of $2.25) and might even permit an increase—assuming that the management may favor a policy of generous payout in order to establish a higher price level in preparation for equity financing.

Florida Power & Light would seem to qualify as a leading No. 1 growth utility in the United States. The 1951 report contained on its cover a chart showing that the company's KWH sales had increased 1,043% since 1933 while all U. S. utilities gained only 380%; also that during this period the company had enjoyed an increase in each year, while the U. S. figure had dipped in 1938 and 1945-6. The company is a great propagandist for the state of Florida, and the report carries a headline "Everything Grows Faster, Steadier, in Florida! A Sound State With A Sound and Expanding Economy."

Among the lower-priced and more speculative issues, *South Carolina Electric & Gas* has attracted some attention due to its sharp reversal of earnings. During 1950-51 the company's hydro operations were greatly handicapped by continuous droughts in its area, and it was forced to use inefficient steam facilities. Earnings dropped to 52¢ last year, compared with 70¢ in 1950 and $1.86 in 1949, so that the 60¢ dividend was not fully earned. Early this year, however, the company obtained a rate increase, put into operation a new steam-generating unit, and also obtained a plentiful water supply. Thus the March quarter showed earnings of 30¢ compared with 19¢ last year. While the company recently issued additional common stock, the management estimates that earnings should recover to around 97¢ (consolidated) on the increased shares in the calendar year 1952. In 1953 it anticipates earnings of around $1.15, and in 1954 of $1.22. These estimates include the new subsidiary, South Carolina Generating Company, which is building an important generating plant to furnish power at wholesale to the Hydrogen Bomb plant, and to other utilities including its parent company. The subsidiary is expected to begin operations some time next year. Incidentally, construction of the Hydrogen plant (which duPont is managing for the Atomic Energy Commission) is resulting in a considerable increase in population and business activity in the area.

The company serves about two-thirds of the state and its engineers, foreseeing an increase of about one-third in population over the next decade, have laid out a program for tripling the company's generating capacity by 1961. Share earnings of $2.50 for 1951 were after special charge-offs totaling 50¢—about 20¢ for amortization of plant acquisition adjustments, and 30¢ for accruals to the hurricane reserve ("storm damage"). This reserve now amounts to over $3 million, enough to cover losses from several storms such as that of 1950.

The northeast is not usually considered a "growth" area, but *Long Island Lighting* ranks with the fast-stepping utilities of Texas, Florida and the Pacific Coast. The company's capitalization was completely streamlined in its recapitalization of a little over a year ago. Big gains in electric output are due to the rapid movement of population from the congested New York metropolitan area into the suburbs, the creation of new shopping centers, and the influx of light manufacturing industries, particularly aviation. The company has also benefited by the introduction of natural gas piped from Texas. The dividend has been raised from 80¢ to 90¢, and evenutally a $1 rate (or higher) is envisaged.

Out on the west coast *Pacific Gas & Electric* continues to have "growing pains," and suffers from the severe regulatory climate in California. Some years

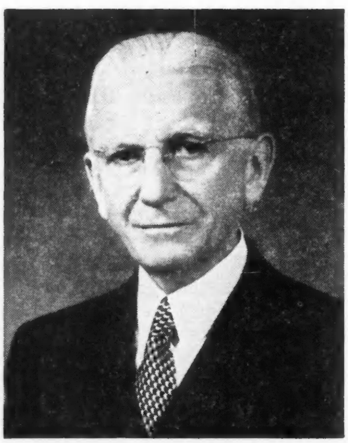
(*Please turn to page* 346)

Fortieth

Anniversary

1912 COMMERCIAL CREDIT PLAN 1952

Helping America buy what it wants



ALEXANDER E. DUNCAN
Chairman of the Board and Founder
Commercial Credit Company

FORTY YEARS AGO, when I founded COMMERCIAL CREDIT COMPANY, a small group of people joined with me in providing our original capital of 300 THOUSAND DOLLARS.

The original COMMERCIAL CREDIT stock prospectus contained the words, "THE FIELD OF OPERATIONS IS PRACTICALLY UNLIMITED." Yes, we started with confidence in our ability to succeed, but I know that none of us in our original group foresaw COMMERCIAL CREDIT COMPANY as it is today, for none of us could foresee the miracle of America's industrial growth in the last 40 years.

In 1951 gross receivables acquired by the Finance Companies of COMMERCIAL CREDIT were $2,783,942,471; earned premiums of its Insurance Companies were $39,464,036; and net sales of its Manufacturing Companies were $99,115,875. These operations were carried on through some 12,800 employes located in more than 350 offices throughout the United States and Canada. We have come a long way in the past forty years and

Contrasting the first published balance sheet of COMMERCIAL CREDIT COMPANY as of October 31, 1912 with our fortieth annual report as of December 31, 1951

ASSETS	As of October 31, 1912	As of December 31, 1951
Cash	$117,375	$ 66,159,758
U.S. Government and Other Marketable Securities		88,834,641
Accounts and Notes Receivable (Less Reserves)	740,270	690,026,043*
Other Current Assets		19,557,476
Fixed and Other Assets	2,884	9,949,732
Deferred Charges-Prepaid Items	36,645	4,075,498
Total	$897,174	$878,603,148

**After deducting $35,358,360 for Reserves for Unearned Income and Losses*

LIABILITIES	As of October 31, 1912	As of December 31, 1951
Collateral Trust Notes Payable	$430,000	
Short Term Unsecured Notes		$455,073,500
Accrued Taxes		31,924,978
Accounts and Reserves Payable	151,574	47,046,648
Unearned Insurance Premiums		31,371,411
Other Reserves	2,638	6,239,955
Long Term Unsecured Notes		131,500,000
Subordinated Long Term Unsecured Notes		50,000,000
Minority Interests		62,064
Capital Stock and Surplus		
Preferred	100,000	
Common	200,000	22,789,730
Capital Surplus		38,042,920
Earned Surplus	12,962	64,551,942
Total	$897,174	$878,603,148

I want to pay public tribute to those who have helped write COMMERCIAL CREDIT'S success story:

To the millions of customers who have used and are using our services.

To the banks, corporations, insurance companies, institutional and other investors who have loaned BILLIONS of dollars to COMMERCIAL CREDIT to make our continuing operations and growth possible.

To some 28,000 stockholders, large and small, who have bought and now own over 2¼ MILLION shares of COMMERCIAL CREDIT common stock.

To the manufacturers, distributors and dealers for their endorsement and use of various COMMERCIAL CREDIT PLANS.

I also want to pay tribute to the men and women of COMMERCIAL CREDIT—our original group of five, three of whom are still with the Company, and to the thousands who with their hands and hearts and minds have and are still carrying on for COMMERCIAL CREDIT. That we have grown substantially and soundly is ample proof that COMMERCIAL CREDIT men and women have done and are doing their jobs well.

COMMERCIAL CREDIT is a perfect example of what can be accomplished under our free enterprise system with proper incentive. It is gratifying that one function of COMMERCIAL CREDIT, our time payment plans, has enabled millions and millions of American families to enjoy the new and better products of American industrial genius. I am convinced that the average American consumer is an honest, dependable business risk. He is his own best credit man!

We pledge the continuing use of our funds and the knowledge and ability we have accumulated in 40 years to persevering in our objective of HELPING AMERICA BUY WHAT IT WANTS.

Alexander E. Duncan

As I See It!

(*Continued from page* 299)

train men for the Presidency and equip them with a greater knowledge of affairs than most of our presidents have possessed when they took office, forcing them to limp along on outside advice for too long a time—to the detriment of our affairs.

For the post of Vice-President, I would suggest Senator Cabot Lodge, capable, young and strong, who for some years has been showing considerable capacity, and whose realistic approach to domestic and world affairs is sound and promises well for the future.

For Secretary of State I would nominate the very able Mr. Paul Hoffman whose broad business experience at home—and his work abroad in the conduct of the ECA or the Marshall Plan—and whose keen and logical commonsense mind would serve us well in dealing with the economic-political-minded heads of the various governments around the world.

It is this type of plan that I think the Republican campaign managers should be thinking of, instead of keeping up a barrage of criticism and abuse, one against the other. We want a united party—not a split ticket. It is time for realistic thinking. We not only want to elect a good man—we want to nominate a man who can win—who can carry out a sound program at home and abroad that will keep us solvent and make us respected the world over.

The circumstances today are such, that we must think in terms of what is best for the country and for the citizens and forget the short-sighted policy of personal interests and ambitions; for it will follow as the night the day, that if the country benefits, the Republican Party will remain in power as the party that brings good government—good business—and happiness to all the people of the United States.

BOOK REVIEW

AMERICAN CAPITALISM

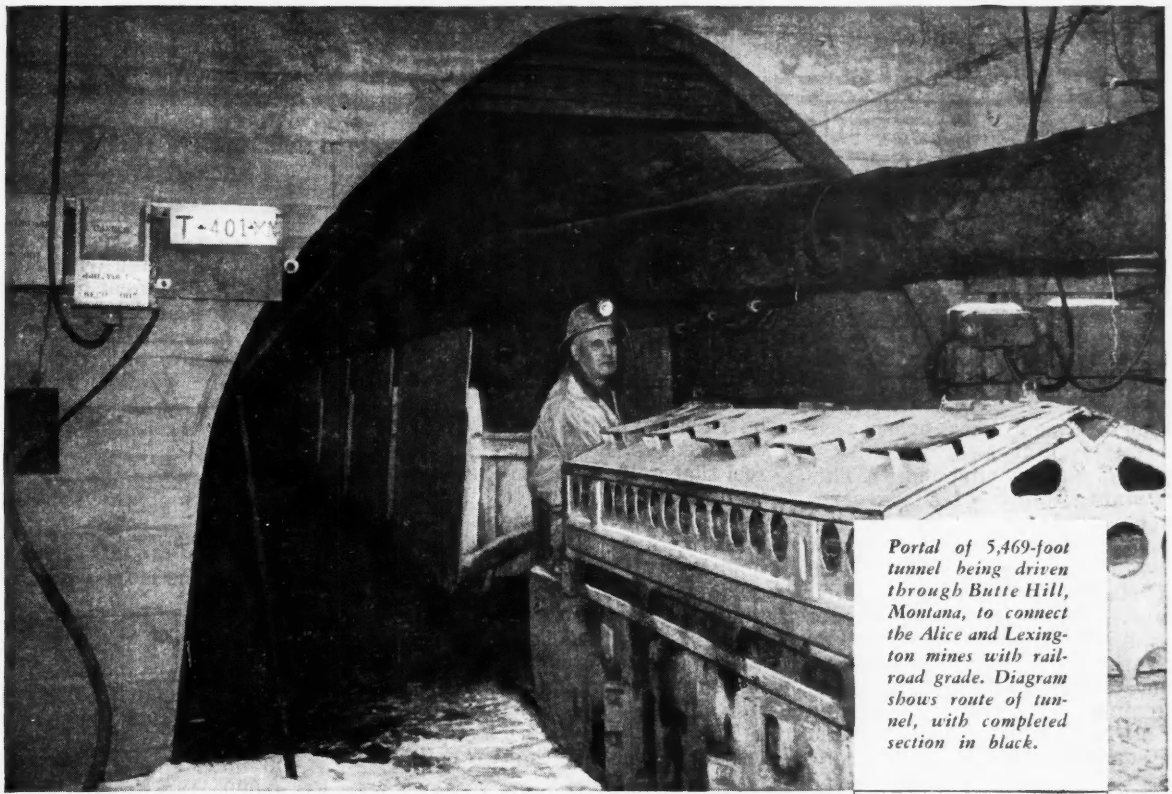
By JOHN KENNETH GALBRAITH

"It is told," says the author, "that such are the aerodynamics and wing-loading of the bumblebee that, in principle, it cannot fly. The knowledge that it defies the august authority of Newton and Orville Wright must keep the bee in constant fear of a crack-up." The case of Americans in the postwar era much resembles that of this insecure insect. Economic ideas tell us we are headed for many troubles, that we should, in fact ,already be in a desperate state of affairs. But lo, the economy works and of late quite brilliantly! What is the matter?

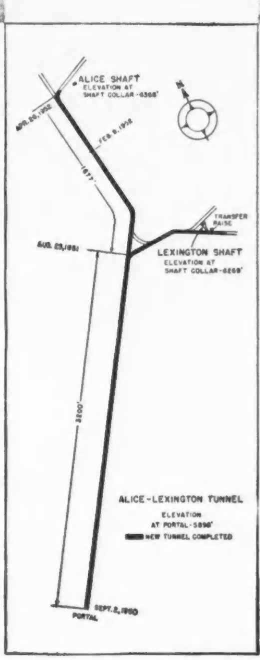
With enlightenment for both the Conservative and the Liberal who are groping for a progam, Mr. Galbraith points to the fact that we are the captives of economic doctrines that no longer apply to our current life. In the place of the ideas that first filled the vacuum after the disintegration of classical economics ideas which still owed much to the doctrine of competition—Mr. Galbraith advances a new conception of economics based on the principle of "countervailing power." This he identifies as the balance wheel of the modern economy.

This new system of economics recognizes the contribution of Keynes and other modern writers, but at the same time highlights the serious limitations on their analyses. The *fait accompli* of government's concern with the economy is more comfortable when limits are set to this involvement. Mr. Galbraith sets these limits while his book shows why limited involvement was and is inevitable.

Houghton Mifflin Company $3.00



Portal of 5,469-foot tunnel being driven through Butte Hill, Montana, to connect the Alice and Lexington mines with railroad grade. Diagram shows route of tunnel, with completed section in black.



Digging into YESTERDAY

for more ZINC today

Anaconda's historic Alice and Lexington mines on Butte Hill were rich in silver 75 years ago. Today they are being mined for their wealth of zinc—as part of Anaconda's program to increase the capacity to produce from the Company's own mines. The new tunnel, which is now nearing completion, links the two shafts to railroad grade and greatly facilitates the mining operation through improved ore handling.

To handle the increased ore production from the Butte district, the Company is expanding its concentrating and electrolytic plants at Great Falls and Anaconda, Montana. This expansion includes installation of additional crushing, milling and flotation equipment—added leaching units—and new Cottrell treaters to reduce dust losses at the zinc roasting furnaces.

In 1951, Anaconda turned out 62% of all electrolytic zinc—and 23% of all slab zinc—produced in the United States. Within the next few years, the Company's accelerated zinc program will increase Anaconda's mine output capacity by an estimated 50%.

This zinc story is just one part of Anaconda's continuing program of expansion, improvement and modernization—at mines, mills and fabricating plants. Today the program is producing more metal and finer metal for America's strength. Tomorrow it will mean better products and better living for America's people.

ANACONDA'S FAMILY OF METALS
Copper, zinc, lead, silver, gold, platinum, cadmium, vanadium, selenium, manganese ore, ferromanganese.

ANACONDA
COPPER MINING COMPANY

Anaconda Sales Company
The American Brass Company
Anaconda Wire & Cable Company
International Smelting and Refining Company
Andes Copper Mining Company
Chile Copper Company
Greene Cananea Copper Company

52331A

A Special Exclusive Study of Public Utilities

(*Continued from page* 340)

ago during a drought the company had a temporary "brown-out" or rationing of electricity, and it has also suffered from Federal competition in the hydroelectric field. These may be motivating factors in the company's determination to put through the biggest construction program of any U. S. utility. As a result, it has been necessary to issue common stock every year (a forthcoming 1-for-5 rights issue was recently announced). This constant dilution of share earnings, coupled with the low return on the rate base, has kept earnings at rather a low level in relation to the historic \$2 dividend. At some time in the future when the Company can "get its breath" and perhaps receive more adequate rate increases, earnings could advance to around the \$3-3.25 level, it is estimated in some quarters.

Significance of Continuing Decline in Price of Gold

(*Continued from page* 315)

specialist, Dr. Franz Pick, argues, that all currencies, including the dollar, will be devalued, because of the burden of debt and national defense, then gold is probably as good an investment as any, if the object is to preserve one's capital. But since we do not believe that the Third World War is imminent or that the official price of gold will be raised, i.e. the dollar will be devalued in terms of gold, we feel that gold is not an ideal protection, particularly in view of present legal limitations as to gold holdings (Americans can hold only "industrial," 22 carat gold). At \$37 per ounce, gold bullion in marketable form is probably near the bottom, and it will stay near this level, unless, of course, the international situation should seriously deteriorate.

The drop in gold price and the loss of interest are the two points that the French Government is currently stressing to make the French people dishoard some of their gold in order to subscribe for a new type of loan which is to give the potential investor "a gold guarantee." This loan, recently announced by the Pinay Government, is not intended to strengthen the French franc, but rather it treats the further devaluation of the franc with matter of factness. It cannot have any appeal for anyone who has any confidence in the future of the franc. As a matter of fact, if the franc should recover, the investor would lose money heavily.

The loan, to be issued for unlimited amount, is to bear a $3\frac{1}{2}$ per cent coupon. Bonds will be accepted in payment of certain direct taxes *at par* plus a premium proportionate to any increase in the price of the louis d'ors (20-franc gold piece) above its present level on the Paris free market; as was pointed out earlier, these louis d'ors sell at about \$10 a piece, with the gold valued at about \$49 per ounce. If the louis d'or, quoted at about Fr 4,000 now, should rise, say, to Frs 6,000., the French Treasury would redeem the bonds for taxpaying purposes with a 50 per cent premium.

The subscriptions for the new bonds will be payable in gold coins at the market rate. It is expected in some quarters that the subscriptions will bring at least one billion dollars worth of gold coins into the French Treasury. Since the loan has been announced, trading in louis d'ors has increased considerably in Paris. It is also reported that the Frenchmen who have had their savings in Switzerland are bringing some of them home.

Except for American firms that have taxes to pay in Paris, the new French "gold" bonds should have little attraction for the American investor. But Premier Pinay's experiment is interesting and worth watching. A similar scheme was proposed by Belgium's foreign Minister Van Zeeland. Another scheme, advanced by Belgium's Foreign Minister, Mr. Van Zeeland, calls for issuance of "gold" bonds bearing the guarantee of all governments associated in the N.A.T.O., including the United States. These bonds could be purchased

(*Please turn to page* 349)

New Air Transport Age Streaks in on British Jet

(*Continued from page* 307)

wanted to buy U. S. equipment; it would provide the difference between the actual cost of the American plane and its British counterpart. This bill has received some support, and while it may not be passed at this session of Congress, an actual start on an American construction project might speed its passage later.

At the same time, another Senate bill may provide the answer to the air traffic control problem. It would provide money to finance the testing program, possibly even using a Comet as the test plane, which would enable the Civil Aeronautics Administration to iron out the problems of introducing jets to scheduled service. CAA and the airlines have high hopes that such money will be forthcoming, possibly even at this session.

A matter of corollary interest is the impact of jet development on the oil industry. Will the advent of the jet so change high octane gasoline production that extensive conversion will be required? Not in the foreseeable future. The increasing demand for jet fuel for military aircraft has already required considerable conversion and this conversion will increase gradually as the military expansion program gets up steam, to the point where the oil companies will probably be well able to handle the commercial demand.

Further, the number of jet aircraft which will appear in commercial service in the next decade will probably not outstrip production of piston-engine, gasoline burning aircraft in the same period. The jet is essentially a long-haul airplane, for use in transcontinental or transoceanic service. No one can yet foresee the time when it will replace the piston-engine plane in short-haul service. Meanwhile, short-haul service is increasing, both in the major trunk lines and in local service airlines, so there is no immediate danger that production of high-octane gasoline will fall off appreciably.

One interesting factor, though, is the relative cost of jet fuel and high-octane fuel. Jet fuel is currently manufactured from the lowest order of elements in a barrel of crude oil and consequently is not selling at a premium price. It costs 11 cents a gallon, compared with 16 cents a gallon for transport-type high octane. But as the demand for jet fuel increases and oil companies are required to devote more of their facilities, its price will probably go up to the high octane levels, which may help force U. S. airline operators into a premium fare for jet travel.

Summing up the jet transport scene, it can be predicted that U.S. flag carriers will run into limited competition on overseas routes between now and 1954 but the situation will not be critical due to the low production rate of the Comet (only 45 planes will be built between now and 1954). In 1954-55, the advent of the Comet II will provide competition on the all-important North Atlantic route, but its need for a fuel stop will offset a lot of its speed advantage. By late 1956 American carriers will probably lose some traffic to improved British jet designs on

all routes. By late 1958, we can catch the British, both from the standpoint of efficient aircraft and rate of production—but only if some positive action is taken in the next year. If we delay much beyond that point, American airlines may be forced to buy foreign equipment to maintain their competitive standing.

Significance of Continuing Decline in Price of Gold

(*Continued from page* 346)

only with gold or dollars and would be payable at maturity in gold, dollars, or any European currency (at the current rate of exchange). In this way, it is hoped, Europeans could be induced to part with their hoards of gold, estimated at $4-5 billion, and their hoards of dollars, which according to informed sources may be as high as those of gold.

This brings us to the last topic. Will the reduction bring about the re-establishment of the gold coin standard, such as we had prior to 1914? We have no doubt that that the re-establishment of the gold coin or bullion standard would do all that is claimed: check inflation and encourage economy in Government spending. But we also believe that a country can have a sound currency not only without gold coin standard but even without any gold backing at all. Moreover, we are still living in turbulent times. The gold standard worked wonderfully in the Nineteen Century era of peace and optimism. It might work well for a year or two. But as long as the world peace is threatened by communism, a war scare could easily dissipate our reserves and do untold damage to the stability of the dollar.

Correction

On page 273 of the May 31, 1952 issue, the headings for the columns "Dividends Per Share" and "Net Per Share" in the table were transposed. Accordingly, the heading for the first three columns in the table should have read "Net Per Share" and the heading for the next three columns should have read "Dividends Per Share".

Investment Audit of Allied Chemical

(*Continued from page* 323)

costs obtained in the use of inexpensive raw materials through dependence on highly perfected equipment place chemical producers in a strong competitive position. This factor is one of the main reasons for assuring still further gains at the expense of natural materials. Hence, the willingness of major producers to build for the future.

Although Allied generally has been considered quite conservative, it may be surprising to many investors to note that sales volume has more than doubled in the last decade—from $244.5 million in 1942 to $502 million last year—and net income has increased in same period virtually 100 per cent—from $20.5 million to $40.5 million. On basis of the present capitalization, that would be from $2.31 a share for 1942 to $4.58 last year. Dividends paid have risen from $1.75 a share in 1942 to $3 a share. Surplus rose from $194.7 million at the end of 1942 to $257 million at the end of 1949 and declined to $227.5 million last year as a result of extraordinary construction expenditures.

Among Allied Chemical's principal construction projects which are scheduled to contribute to increased sales this year or early in 1953 are a new synthetic phenol plant at Philadelphia using a new process developed through research which does not require either chlorine or sulphuric acid and which supplies acetone as a valuable by-product; a plant in Buffalo to produce synthetic benzol, a high grade wax and other materials currently in short supply; expansion of ammonia producing facilities in Virginia and in Ohio incident to a conversion of these plants to natural gas from coke as a fuel; enlargement of sulphuric and soda ash plants. A new aluminum sulphate plant is under construction in East St. Louis embodying an improved continuous process to replace the old batch process facilities, thereby providing greater output at lower cost. A large new mercury cell electrolytic chlorine-caustic soda plant also is under construction at Moundsville, West Virginia. Plans have been announced for a new $25 million plant in Nebraska to use natural gas in producing urea and other nitrogen fertilizer materials. All in all, Allied Chemical's physical growth now is at peak.

Enlargement of plant capacity and improvement in operating conditions no doubt accounted in large measure for the relatively favorable showing in the first three months this year. Gross revenues declined moderately to $122.3 million from $124.8 million in the March quarter of 1951. This showing was encouraging considering the letdown experienced generally among chemical producers in reflecting a slackening in consumer good lines. Net profit came to $1.11 a share, compared with $1.24 a share in the corresponding period last year. Dividend payments were raised to 60 cents from 50 cents quarterly paid in the first three quarters of 1951. Distributions for all of 1951 came to $3 a share with inclusion of a year-end disbursement of $1.50 a share. Indications are that dividends this year may equal last year's payout and possibly may amount to as much as $3.30 a share.

Allowing for a moderate drop in shipments in the first half of this year, Allied's 1952 sales are expected to rise to a new high record of $525 million or more. In line with the industry, profit margins may be slightly lower this year despite the fact that wages are low in relation to sales. Costs have risen slightly this year, however, and selling prices have eased a trifle. Indications point to net profit for 1952, therefore, perhaps between $4.25 and $4.50 a share, compared with $4.58 for 1951 and with $4.65 a share for 1950. Earnings may be lowered also by heavier depreciation charges in connection with accelerated depreciation on some of the new construction projects.

Assuming that excess profits taxes are permitted to lapse a year hence, earnings in 1953 and in 1954 very well may rise appreciably in reflecting the benefits of enlarged volume on new products which are expected to prove more profitable than basic chemicals accounting for a large proportion of output. In common with most segments of the chemical industry, Allied's sales and earnings are influenced largely by the rate of general business activity. It has been observed, however, that the company's principal customers represent a wide range of industries. The company lists 45 "principal industries served." Thus a serious recession would be required to depress sales of this company to such an extent as to imperil the regular dividend rate.

This is the sort of blue chip stock that institutional investors and other long range portfolio managers are willing to put away for potential growth and appreciation despite the comparatively low return on basis of current dividends. At around 70, the shares afford a yield of only about 4.25 per cent, assuming an annual $3 dividend. Looking ahead a few years to the possibility of less burdensome corporate tax rates, one may envision more generous distributions under favorable business conditions. The future appears more promising under the dynamic new management than it would have under policies prevailing up until recent years. From a market standpoint, the shares are currently somewhat high for ordinary investment purposes and a better buying point should be awaited unless the investor is interested only in quite long-range considerations.

Answers to Inquiries

(*Continued from page* 339)

Affiliated Gas Equipment

"Please report order backlog, earnings and prospects for Affiliated Gas Equipment."

M. R., Norwalk, Conn.

Total income of Affiliated Gas Equipment, Inc., from sales and other sources amounted to $41,-321,000 during 1951, compared with total sales of $43,606,000 in the preceding year. During 1951, defense products accounted for $8,000,000 of the total income; there was no income from this source in 1950 .

Before deducting federal income taxes, income amounted to $3,959,765 during 1951 as compared with $4,4441,336 in the preceding year. After federal income taxes, net earnings were $1,187,761 equal after preferred dividends to $1.40 per share on the common stock. This compares with net earnings of $2,241,336 or $1.76 per share on the common stock during 1950.

For the quarter ended March 31, 1952, sales were $10,554,085, net income $170,877, equal to 12 cents per common share. This compares with first quarter 1951 net sales of $9,829,602, net income of $405,671, equal to 31 cents per share.

According to the president of the company, recent operations are ahead of past year. He estimated that sales and earnings for the first half of 1952 would compare favorably with the like 1951 period when sales totaled $16,-988,598 and net income was $307,-007 or 21 cents a share on the common stock. Current backlog is in excess of 50 million dollars a major portion of which represents defense orders.

Dividends in 1951 totaled 60 cents per share and 10 cents was paid in the first quarter of the current year.

Pfeiffer Brewing Company

"I understand earnings of Pfeiffer Brewing Company declined last year. Can you give the reason for this decline and also the result of first quarter operations?"

E. P., Austin, Texas

Mounting costs, which were not offset by an adequate price increase, combined to lower profits of Pfeiffer Brewing Company during 1951. Net sales, after deduct-

ing federal and state excise taxes, showed a slight increase over the preceding year, amounting to $23,260,202 as compared with $23,221,521 in 1950.

Net income, after taxes, totaled $2,842,881, equal to $2.37 per share on the 1,198,634 shares of common stock outstanding. This compares with net income of $3,651,215 or $3.05 a share on the same number of shares outstanding during 1950. The company's effective tax rate increased from 44.1% in 1950 to 47% in 1951.

Barrel sales of Pfeiffer were the second largest in the company's history, amounting to 1,554,384 barrels, a decrease of 3.9% from the 1950 record of 1,618,077 barrels.

After months of negotiations, the OPS on January 28, 1952, granted the brewing industry a price rise. While some of this increase will be absorbed in higher costs, the company is hopeful that a part of it will become earnings before taxes.

During 1951, Pfeiffer completed its long-range expansion program. Its annual capacity is now 2,100,000 barrels.

Net sales for the quarter ended March 31, 1952, were $4,752,000 and net profit was $416,000, equal to 35 cents per share. This compares with the like 1951 quarter net sales of $5,360,978, net profit $636,291, equal to 53 cents per share.

Dividends in 1951 totaled $2.00 per share but first quarter 1952 dividend was reduced to 40 cents per share.

New Economic Shot-In-The-Arm

(*Continued from page* 304)

This conclusion that the government was better suited than the investor to make investment decisions would appear difficult to support in theory, and has worked out disastrously in practice. This has not deterred the government meddlers; the whole process we have been discussing, of turning inflation on and deflation off with a wave of the Treasury's checkbook, rests upon the Keynesian delusion that the stupid consumer's propensity to save can be turned on and off by a few pennies more or less in his pay envelope.

Postwar history in this country is full of contradictions to the theory. The Keynesians who wrote the 1946 year-end *Economic Report to the President* said the consumer's savings level had reached a low which would not be further reduced except by a recession. Immediately the savings level took a new drop; what was involved was not an imaginary propensity to save, but a real propensity to buy a house rather than sleep in a culvert, to buy an automobile rather than walk, to buy a new icebox rather than put up longer with the noise of a prewar model. Savings fell with prosperity, not recession.

In 1950 the postwar rebuilding of consumer plant, with the new amenities consonant with higher incomes and greater national productivity, was about complete. The 44% home owners and 56% tenants of 1939 had shifted to 53% home owners, 47% tenants. Consumer property was 30% greater in value than business property. The prewar 10% of income spent on durable goods was up to 15%.

(*Continued on page* 354)

New Economic Shot-In-The-Arm

(*Continued from page 353*)

Then, with slight interruption from the two Korean scares, the buying eased off. The consumer, who saved only $6.3 billion, or 3.4% of personal incomes, in 1949, saved $17.2 billion, or 7.7%, in 1951, and has continued into 1952 saving at the same rate. (These Department of Commerce figures include other than liquid spendable savings, but they are the same for the two years, so they afford a comparison.)

If the Keynesian view is correct—that anyone who can get elected to office is brighter than anyone who earns his own living and spends it as he pleases—the inflation promotion may succeed. If the opposite contention is accurate—that the consumer is as smart as the bureaucrat—added income will go largely into more savings. The greater insecurity of a mounting deficit will instill more fear than the excess money does confidence. After all, as the smaller of the accompanying charts depicts, the deficits of the mid-thirties inspired very little business confidence. And, as the larger chart suggests, one of the grim necessities of a postwar period is to squeeze out the water from business, prices and wages alike, and start over on a sounder base toward the next period of real prosperity.

BOOK REVIEW

THE CHALLENGE TO ISOLATION 1937-1940

By WILLIAM L. LANGER and S. EVERETT GLEASON

This is a definitive history of the impact on the American people of a world in crisis and deals with the highly dramatic international scene during the days of Fascist triumph and democratic peril.

Only a few other works, such as the writings of Churchill, Hull, Stimson, and *Roosevelt and Hopkins*, can claim equal importance. Its clear-cut, coherent presentation make it ideal for the general reader; *The Challenge to Isolation* will be a fundamental source volume for many years to come.

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Our analysts have been carefully studying the position and prospects of the corporations which seem best situated in the coming year — candidates for higher earnings — large dividend disbursements — profitable market action. But selection will be only one step. The strategic timing of each purchase and each sale will be a consideration of paramount importance which we will keep in mind constantly in serving you.

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Federated Department Stores

"With consumer spending down, I have wondered how Federated Department Stores has fared in the past year or so. I would appreciate receiving pertinent data."

C. P., Raleigh, N. C.

For the 52-weeks ended February 2nd, 1952, Federated Department Stores reported net sales totaled \$408,843,563. This figure represents an increase of 5.1% over the preceding 53-week year.

Earnings amounted to \$13,297,133 equal to \$3.81 per share of common stock, based on the average number of shares outstanding during the year. This compared to per share earnings of \$5.34 in the preceding year.

Federated Department Stores reported net income of \$2,279,666 or 63 cents a share for the 13-week period ended May 3, 1952, compared with \$1,986,943 or 60 cents a share for the like 1951 period.

Dividends paid in cash were increased over the preceding year and were paid in amounts equal to \$2.50 per common share outstanding after a 20% dividend payable in common shares distributed in June, 1951. This represented the fourth increase in cash dividends since 1946.

There was a substantial improvement during the year in the company's financial position. 77.6% of the capital structure is represented by the \$115,099,002 common stockholders investment, compared with 69.5% in the preceding year and 50.7% ten years ago. Long term debt was reduced by \$8,478,136 to \$22,535,539 and the current ratio increased to 3.4.

The principal explanation of the decline in earnings, lies in the fact that the year was largely one of correction following the abnormal conditions caused by the inception of the Korean War, which stimulated earnings in the preceding year and at the same time bequeathed to this year numerous problems, the solution of which penalized profits. Principal among these was bringing inventories and forward orders back to a normal turn-over basis. Gross margin was depressed by these factors and expenses increased, due to the inflationary influence at work during most of the year.

BOOK REVIEW

EISENHOWER

By JOHN GUNTHER

Here is a strictly up-to-the-minute report on one of the most important—perhaps the most vital and compelling—figures of our time. Dwight David Eisenhower today occupies a position of responsibility and popularity without parallel in history. But few people have a clear understanding of his real personality, his unprecedented rise to world prominence, and his views on many important issues. Now with the accuracy, honesty and vividness for which he is famous, John Gunther presents the man, his career, and his future prospects.

In March, 1941, Eisenhower was a lieutenant colonel. Twenty-three months later he was a four-star general commanding the largest invasion force ever assembled. Here are the facts behind this unique achievement, the human, intimate story of a hard-working soldier. Here are the reasons for Eisenhower's refusal to enter politics in 1948, his reasons for becoming president of Columbia University, and an appraisal of his qualifications for the Presidency of this country. Gunther describes the routine and personnel of SHAPE. Eisenhower's headquarters as Supreme Commander of Western Europe's defenses.

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